

BANK OF GHANA
INFORMATION MEMORANDUM

FOR THE ISSUE OF
GOVERNMENT OF GHANA
BONDS

REVISED
JULY 2007

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1. INTRODUCTION

- 1.1 This Memorandum relates to any local currency Government of Ghana bond issued on behalf of the Government by the Bank of Ghana (the "**Bonds**"). It sets out the important terms of the Bonds and information relating to them, including information about public auctions of Bonds conducted by the Bank of Ghana (the "**BoG**").
- 1.2 A number of capitalised expressions are used in this Memorandum. The meaning given to each of these expressions is set out in Schedule 1 (*Glossary of Terms*), unless the expression is defined in the text of this Memorandum.
- 1.3 This Memorandum supplements the specific terms and information set out in each Prospectus. Where a further amount is issued of an Existing Bond, this Memorandum is subject also to the provisions of the Prospectus under which the Existing Bond was issued. In the event of any conflict or inconsistency between this Memorandum and any Prospectus or Notice, the terms of this Memorandum shall prevail. The terms of this Memorandum and any Prospectus are binding on, and enforceable against, bidders (whether or not they are successful in any auction), Bondholders, Transferees and any person who acquires a beneficial or other interest in the Bonds.
- 1.4 As regards Bonds, this Memorandum is the governing document in relation to the matters with which it deals.
- 1.5 This Memorandum is issued by the BoG acting on behalf of the Government of Ghana. All references in this Memorandum, any Prospectus, Notice or application form to the BoG, are to the BoG in its capacity as agent for the Government of Ghana. Any action taken by the BoG as contemplated by this Memorandum, any Prospectus or application form is taken by the BoG as agent for the Government of Ghana. In acting as agent for the Government of Ghana, the BoG accepts no obligations or liabilities to third parties (save as expressly set out under clause 11 (*Register*)). For the avoidance of doubt, in buying and selling Bonds for its own account the BoG shall be treated as a principal notwithstanding the foregoing.

2. GENERAL

- 2.1 Bonds constitute direct, unsecured and unconditional obligations of the Government of Ghana. The principal of and interest on Bonds will be a charge on the general revenue and assets of the Government of Ghana, with recourse to the Consolidated Fund of the Republic of Ghana.
- 2.2 The arrangements for the maintenance of the Register, for transfer of Bonds and for payment of amounts due in respect of Bonds are set out below. The current position is as follows:
- (a) Bonds will be registered and held in book-entry form at the Central Securities Depository (CSD).
 - (b) Bonds are transferable in multiples of one hundred Ghana Cedis (GH¢100) nominal value.
 - (c) Payment of principal and interest on Bonds to bondholders will be paid through the cash accounts of settlement partners with the Bank of Ghana.
 - (d) Unless stated otherwise in the prospectus, the BoG operates on a 364-day system and all payments for same-day value are normally made on a Monday. Accordingly, the Issue Date of a Bond will be a Monday, as will its Maturity Date. All Interest Payment Dates will be Mondays falling on the expiry of successive 182-day periods following the Issue Date. However, if the due date for any amount of principal or interest in respect of Bonds is not a Business Day, then payment may not be made until the next succeeding Business Day. In such cases the Bondholder will not be entitled to any further interest or other payment in respect of such delay.
 - (e) Where the prospectus states an issue day other than a Monday, coupon payments will be made semi-annually from the issue date. The interest paid shall be equal to the principal at the coupon rate for half-year.

- 2.3 Only Primary Dealers shall be eligible to participate in the wholesale auction of Bonds.
- 2.4 The BoG shall announce from time to time, details of Bonds available at future auctions and their Maturity Dates.

3. **METHODS OF APPLICATION FOR BONDS**

3.1 **Auctions**

- (a) Most auctions of Bonds make provision for bids to be made on a competitive or non-competitive basis, as set out below. Any differences applicable to a particular auction will be as set out in the relevant Prospectus.
- (b) The BoG shall publish a Prospectus, inviting bids for the Bonds to be issued, in advance of the auction.
- (c) Each application to the BoG for the purchase of Bonds shall be submitted to the Public Debt Division, BOG, electronically through the CSD Auction System.
- (d) PDs shall submit bids on the basis of the demand from their customers and their own requirements.
- (e) For each security, PDs may quote a single bid rate or a series of bid rates indicating the amount required at each bid rate. However, no interest rate shall be submitted for non-competitive bids.
- (f) Unless otherwise stated in the prospectus, Auctions shall be set up on Mondays and made available to all PDs on the Auction Terminal for the input of bids between Monday and Thursday. Submission of bids through the auction system ends at 3.30 p.m. on Thursdays, after which time the bidding screen shall be closed and made unavailable to PDs.
- (g) Auctions shall normally be held on Fridays, between 10.00am and 3.00pm. However, if Friday is not a Business Day, the auction shall be held on the immediately preceding Business Day, in which case the bid submission will close a day earlier.

- (h) The BoG reserves the right to accept or reject or refuse to recognise any or all bids or tenders. The BoG also reserves the right to award more or less Bonds than the amount of Bonds specified in any Prospectus or notice. The BoG further reserves the right to waive any provision or provisions of this Memorandum, any Prospectus, notice or application form for any or all bidders up until the time a bid is accepted and the price settled. Decisions of the BoG shall be final.

3.2 Competitive Bids

- (a) Each competitive bid must be for one amount and at a desired price or interest rate expressed as a percentage. A person may submit one or more competitive bids at different prices.
- (b) Each competitive bid must be for a minimum of GH¢50,000 (¢500 million) nominal of Bonds and for multiples of GH¢1,000 (¢10 million).
- (c) Competitive bids will be ranked in descending order of price or ascending order of interest rate and Bonds will be sold to applicants whose competitive bids are at or above the lowest price or at or below the highest interest rate at which the BoG decides that any competitive bid should be accepted (the "**lowest accepted price**" or "**highest accepted rate**").
- (d) In the case of auctions of Conventional Bonds, applicants whose competitive bids are accepted will purchase Bonds at the prices or rates at which they bid where allotments are made by **the multiple price method**. Competitive bids which are accepted and which are made at prices above the lowest accepted price or below the highest accepted rate will be satisfied in full. Competitive bids which are accepted and which are made at the lowest accepted price or highest accepted rate may be satisfied in part only.
- (e) Where allotments are made by **the uniform allotment price method**, all successful bidders will purchase the Bonds at that price, irrespective of the price quoted. Competitive bids which are accepted and which are made at prices above the uniform allotment price or rates below the highest accepted rate would be satisfied in full. Competitive bids which

are accepted and which are made at the uniform allotment price may be satisfied in part only. No sale will be made of an amount less than GH¢1,000 (¢10 million) nominal of Bonds.

- (f) In making a competitive bid, each bidder represents and undertakes that it has not discussed its bid, or the bid of anyone else, with any other person nor, in any other way whatsoever, has it disclosed its bid to any other person, or had anyone's bid disclosed to it, nor has it colluded or sought to collude with any other person as to its own bid or that of any other person or the pricing of the auction generally. The foregoing does not relate to any discussions, instructions or reporting between a Primary Dealer and any third party solely in relation to the bid that the third party wishes to make through the agency of the Primary Dealer, provided the Primary Dealer:
- (i) discloses to the BoG that it is bidding as nominee on behalf of the third party;
 - (ii) does not discuss or disclose to the third party any bid it is making on its own behalf or on behalf of another third party nor does it collude in any way whatsoever with the third party for the purpose of influencing the pricing of the auction.

3.3 Non-Competitive Bids

- (a) A non-competitive bid must be for not less than GH¢50,000 (¢500 million) nominal and for not more than GH¢1 million (¢1 billion) nominal of Bonds, and must be for a multiple of GH¢100 (¢1 million) nominal of Bonds.
- (b) Only one non-competitive bid may be submitted for the benefit of any one person (separate bids may be made by Primary Dealers on behalf of separate individual clients). Multiple applications or suspected multiple applications will be rejected. Only one non-competitive bid may be submitted on any one application.

- (c) Non-competitive bids, which are accepted, will be allotted in full at the non-competitive sale price. The non-competitive sale price for auctions of Conventional Bonds will be equal to
 - (i) the average of the prices or rates at which competitive bids have been accepted, the average being weighted by reference to the amount accepted at each price or each rate and rounded down to the nearest multiple of GH¢100 (¢ 1 million).
 - (ii) the uniform allotment price or uniform allotment rate where allotments are in accordance with the single or uniform pricing method.
- (d) The non-competitive sale price for auctions of Index Linked Bonds will be equal to the uniform allotment price or uniform allotment rate accepted for competitive bids.
- (e) No more than 20% of the Bonds on offer will be offered non-competitively.
- (f) The BoG may bid on a non-competitive basis.

4. INDEX-LINKED BONDS

- 4.1 Where an Index Linked Bond is to be issued, the relevant modalities shall be stipulated in the Prospectus, indicating the Index to be used and the method of pricing and calculation of periodic interest payment.

5. NOTIFICATION OF RESULTS

- 5.1 The general results of any auction shall be available from 3.00pm on the auction day and in any event the Primary Dealer and other non-competitive bidders shall be notified (whether by telephone or by fax) of their allotments by no later than the end of the first Business Day following the auction.
- 5.2 The BoG will publish a report and analysis of each auction in a press notice by close of business on the first business day following the auction date and on its web site within a week of the auction date. Where appropriate, such reports and analyses will include:

(a) **in the case of a Conventional Bond**

- the highest, average and lowest accepted prices or rates (with the pro rata allocation of amounts bid for at the lowest accepted price or highest accepted rate);
- the gross redemption yields equivalent to those prices or rates;
- the total value of accepted non-competitive bids, split between Primary Dealer and third parties on behalf of whom they bid; and
- the ratio of the total value of bids received to the amount on offer, including bids rejected in whole or in part on account of price or rate.

(b) **in the case of an Index-Linked Bond**

- the uniform allotment price or uniform allotment rate;
- the pro rata allocation of amounts bid for at such price or rate;
- in the case of an Index-Linked Bond issued at a uniform allotment price, the real yield equivalent to that price (and the assumption made in calculating the real yield);
- the total value of accepted non-competitive bids;
- the allotment split between Primary Dealer and third parties on behalf of whom they bid; and
- the ratio of the total value of bids received to the amount on offer, including bids rejected in whole or in part on account of price or rate.

6. PAYMENT AND SETTLEMENT

6.1 All payments for Bonds must be made through the cash accounts of settlement partners at the BoG. Holders of such accounts must ensure that they have enough funds in their accounts at the date of the auction to cover purchases of Bonds made on their own behalf and on behalf of their clients.

6.2 On the Issue Date, the BoG shall:

- (a) Debit the BoG Cash Account of the successful bidder by the amount the bidder is required to pay for the New Bonds; and
- (b) Advise the CSD to credit the New Bonds sold to the Securities Account of successful bidder.

6.3 CSD shall update the Register accordingly.

6.4 The holdings of each Bondholder shall be recorded by electronic book entry on the Central Securities Depository.

7. UNDERWRITING AND COMMISSION/BROKERAGE FEES

7.1 The BoG expects all the Primary Dealers to participate actively in the auction process and to bid on a competitive basis at auctions as part of their commitment to the market.

7.2 The BoG may request Primary Dealers to underwrite any Bonds which remain unsold following an auction. The minimum value of Bonds underwritten shall be GH¢50,000 (¢500.0 million) and multiples of GH¢1,000 (¢10.0 million) thereafter.

7.3 Primary Dealers shall be paid not more than ¼% commission on the amount underwritten.

8. REGISTRATION OF APPLICANTS

8.1 Holders of Bonds shall be registered and have an account with the Central Securities Depository (CSD). For first time purchasers of Government Securities, the Primary Dealer will register and obtain a unique identification number and a securities account number on the CSD for the client.

8.2 Bonds shall only be sold to applicants that have been registered and hold Securities account with the CSD.

8.3 The BoG reserves the right to require evidence of the identity of any person (beyond what is provided for registration of the CSD) for whom an applicant is acting as agent. Failure to provide satisfactory evidence of identity may result

in delays in registration. In addition, if for whatever reason such evidence of identity is not provided as soon as is reasonably practicable (in the BoG's determination) and in any event within 21 days after the request has been made, the BoG may take steps to cancel the sale of any Bonds to such client, and may take any other action that the BoG may think fit.

9. **DEFAULTS**

- 9.1 When a person or an entity fails to comply with the requirements of this Information Memorandum, any Prospectus or notice, the BoG will consider the circumstances of such failure and determine an appropriate remedy. Such remedy may include prohibiting the person or entity from participating in future auctions for its own account, for the account of others, or both. The BoG may also refer such occurrences to the appropriate regulatory agency for enforcement action. In determining whether or not there has been any such failure, the BoG may request, and Bondholders, bidders and Primary Dealers will supply, such information as the BoG may reasonably require for its determination. Any such determination by the BoG shall be conclusive.
- 9.2 The BoG may at its discretion cancel any sale of Bonds if the applicant defaults in making due payment. There will be default in making due payment if payment in cleared funds is not received by the relevant time on the Issue Date specified in the Prospectus. In any such case the applicant agrees to pay liquidated damages of 1% of the par amount of Bonds sold to the applicant. The BoG may waive, in whole or in part, the payment of liquidated damages. This liquidated damages provision shall not preclude the use of any other available remedy.
- 9.3 If, notwithstanding a default in making due payment, the BoG accepts payment after the Issue Date, it may charge interest on the amount payable in respect of the period from the Issue Date to the date of payment, at a rate equal to the BoG Prime Rate plus 2% per annum.

10. **SECONDARY MARKET**

10.1 **General**

Bondholders may trade in Existing Bonds with one another as well as with the general public. As a guideline, the BoG expects settlement of trades on the secondary market to take place on the same day as the date of the contract of sale.

10.2 For instruments listed on the Ghana Stock Exchange, trading shall be on the floor of the Exchange. Reference should be made to the rules of the GSE for procedures regarding secondary market transactions. For such listed securities, PDs shall publish representative price quotes for the information of the investing public on daily basis.

10.3 **Bond trading**

- (a) A Bondholder may dispose of its interest in Existing Bonds by submitting details of the bond to a Primary Dealer. Similarly, any investor wishing to buy a bond shall also approach a Primary Dealer and submit his /her request.
- (b) The Primary Dealer shall execute the trade as outlined in the CSD and GSE operational manuals.

10.4 **Change in Beneficial Holding (for unlisted securities)**

- (a) A Bondholder, who is holding Existing Bonds as nominee or trustee for a beneficial owner, may agree to acquire that person's beneficial interest in the Bonds. Conversely, a Bondholder who is holding Existing Bonds in its own right may agree to dispose of its beneficial interest in the Bonds to a third person or declare a trust over its interest in the Bonds in favour of a third person, whilst remaining the registered owner of the Bonds. In either case, the Bondholder must notify the CSD of the change of beneficial ownership by sending the CSD a Change in Beneficial Holding Advice.

- (b) For the avoidance of doubt, a Bondholder does not need to send to the CSD a Change in Beneficial Holding Advice if the change in beneficial ownership does not result in the Bondholder holding more or less Bonds in its own right. For example, an Advice is not required if there is simply a disposition from one third party beneficial owner to another of its beneficial interest in Bonds, provided the number of Bonds held by the Bondholder as nominee or trustee remains unchanged following the disposition.
- © The ownership of securities together with all its rights and interests in respect of which the transaction was effected passes from the original holder to the new holder from the moment of trade/transfer execution.

10.5 Purchases and Sales of Bonds by BoG

The BoG may purchase and sell Existing Bonds in the secondary market according to procedures outlined in the CSD and GSE operational manuals

11. REGISTER

11.1 A register of the Bonds in electronic book entry form shall be maintained by the CSD. An entry on the Register in the name of a Bondholder shall constitute prima facie evidence that the Bondholder is the legal owner of the Bonds referred to against its name.

11.2 The Register shall contain the following information:

- (a) The Issue Date of the Bonds;
- (b) The serial numbers of the Bonds;
- (c) The amount, type and maturity of each Bond held by each Bondholder and the date the Bondholder became registered as owner of the Bond;
- (d) The name and address of the Bondholder; and
- (e) Whether the Bondholder is holding the Bonds as nominee for a beneficial owner.

- 11.3 Although the Register shall not be open to the public, the CSD shall meet all reasonable written requests for information about the Bonds held by the Bondholder, on payment to the BoG of a prescribed fee.
- 11.4 The Register shall be closed for the purpose of making payments on Existing Bonds **five (5)** Business Days prior to an Interest Payment Date and the Maturity Date (in each case, the "**Record Date**"). Accordingly, if the Bonds are transferred to a new Bondholder after the Record Date but before an Interest Payment Date or the Maturity Date, the BoG will make the payment in question to the person who was the Bondholder as at the close of business on the Record Date.
- 11.5 The CSD will act in good faith in maintaining and updating the Register under this clause, and it shall not be responsible for any losses or liabilities suffered or incurred by a Bondholder or other member of the public who relies on information obtained from the Register which is not correct or is misleading.
- 11.6 In carrying out its duties under clause 10 (*Secondary Market*) and clause 11, the CSD may rely on a Transaction which appears on its face to be genuine and to have been duly signed by authorised signatories of the party or parties to it, or captured in the CSD system by authorised user, and shall not be liable in any way should it later transpire that the Transaction was a forgery or that it was not duly authorised by a party.

12. **GENERAL**

- (a) Cancellation of a sale of Bonds for any reason will not affect the non-competitive sale price or rate or any other sale of Bonds.
- (b) The BoG may sell less than the full amount of the Bonds on offer at the auction and may decide not to sell any of the Bonds. The BoG will sell Bonds to individual bidders at its absolute discretion. In particular it may decline to sell bonds to an individual bidder or group of bidders if it appears that to do so would be likely to lead to market distortion.
- (c) Bids once submitted to the BoG, may not be withdrawn.
- (d) Inadequately completed bids shall not be eligible for the auction.

13. TAXATION

13.1 The following is a summary of the principal Ghanaian tax considerations applying generally to Bonds as understood from the relevant Authority as at the date of this Memorandum. The exact treatment applied in any individual case depends on the particular circumstances of each taxpayer. If in doubt, investors should seek professional advice.

13.2 Individuals

- (a) Individuals are exempt from income tax which would otherwise be payable on the interest payments made in respect of Bonds.
- (b) Any adjustment applied to the principal of an Index-Linked Bond on the Maturity Date will not be taxed as a capital gain but will be taxed as investment income.
- (c) Any gains made on a disposal of Bonds will not be subject to capital gains tax but will be taxed as investment income.
- (d) Where a third party holds a Bond on behalf of an individual, the individual will be subject to tax on the Bond in the manner described above.

13.3 Corporates

- (a) Interest payments will be subject to tax and there will be a withholding of 10% of the gross amount of the payment.
- (b) Subject to 13.3(c) below, any gain made on a disposal of a Bond will be subject to capital gains tax.
- (c) Where a corporate entity trades in Bonds as part of an authorised business activity, any gain or loss on a disposal will constitute income or loss in relation to that business and will be taxed accordingly.

13.4 Other entities

- (a) Returns on Bonds earned by an approved unit trust scheme or mutual fund scheme will be exempt from tax. Distributions to beneficiaries under such a scheme out of its returns on Bonds will also be exempt.

- (b) Interest paid to a non-resident person on bonds issued by the Government of Ghana is exempt from tax.

13.5 **Stamp Duty**

Any written contract or deed transferring a Bond from one party to another will be subject to stamp duty.

13.6 **Government Statement**

In the interest of the orderly conduct of fiscal policy, none of the Government, the BoG or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, Bonds are issued or sold by or on behalf of the Government. No responsibility can therefore be accepted for any omission to make such disclosure and any such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

14. **REVISION**

The right is reserved to amend or supplement this Memorandum by further notices given from time to time. Any notice given under this paragraph will be published by the BoG on behalf of the Government of Ghana in such manner as it considers appropriate.

Bank of Ghana

Accra

July 2007

SCHEDULE 1

GLOSSARY OF TERMS

A number of capitalised expressions are used in this Memorandum and in a Prospectus. The meaning given to each of these expressions is set out in this schedule, unless the expression is defined in the text of the Memorandum.

"Auction Date" means a day on which the auction of New Bonds takes place;

"BoG" means the Bank of Ghana;

"BoG Cash Account" means the account held by a Settlement Partner with the BoG for the debiting and crediting of cash;

"Bond" means a local currency bond issued by the BoG on behalf of the Government of Ghana;

"Bondholder" means a person who is recorded on the Register as the holder of Bonds;

"Business Day" means any day other than a Saturday, Sunday and a statutory holiday in Ghana;

"Conventional Bonds" means Bonds on which interest payments and principal repayments are fixed;

"Coupon" or **"Coupon Rate"** means the base interest rate payable on a series of Bonds;

"Existing Bonds" means Bonds other than New Bonds;

"Index-Linked Bonds" means Bonds whose interest and principal payments are related to movements in an index;

"Information Memorandum" means the document headed "Information Memorandum" issued by the BoG in relation to the issue of cedi-denominated Government of Ghana Bonds;

"Interest Payment Date" means a date on which interest is scheduled to be paid on a series of Bonds;

"Issue Date" means the date on which New Bonds are issued by the BoG on behalf of the Government of Ghana and payment is required to be made by the successful bidders, being the first Business Day after the Auction Date or such other Business Day as may be referred to in the Prospectus;

"Maturity Date" means the date on which the principal is scheduled to be repaid on a series of Bonds;

"New Bonds" means Bonds which the BoG is proposing to issue on the terms of the Information Memorandum and a Prospectus;

"Primary Distributor" means a bank, discount house or other financial institution licensed to bid competitively for New Bonds;

"Prospectus" means any and each document titled "Prospectus" issued by the BoG from time to time in relation to New Bonds;

"Register" means the electronic register in relation to the Bonds maintained by the BoG under clause 11 (*Register*) of the Information Memorandum;