



CENTRAL BANK of SOLOMON ISLANDS

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Government Auction: A Treasure Hunters Corner

What you need to know about the Solomon Islands Government Auction Treasury Bills.

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Every investor wants to have an investment that offers a low risk and options to earn a guaranteed investment return. And while there are choices of investments on the platter to select from, a recommended choice is the Auction Treasury Bills or T-bills in short. If you would like to save or put money aside and earn interest returns within 30 days to 182 days, you might consider buying the Governments Auction T-bills from the Central Bank of Solomon Islands.

Auction Treasury bills is a short term borrowing of the Government with a maturity date of less than 1 year from its issuance date. The Solomon Islands Government issues its T-bills through the Central Bank of Solomon Islands (CBSI) which acts on behalf of the SIG. The Act that gives the power to the CBSI to perform this role is called the Loans and Securities Act (Cap 119) of the revised Laws of Solomon Islands. The borrowing investment is called Auction Treasury Bills because of the way in which CBSI offers or sells the T-bills to the public, which is similar to the auction process.

Why should i invest in T-Bills?

Like any other investment, the critical issues to ponder over are income or returns from such investment and the respective investment maturity profile and the minimal risks from investing in that particular instrument.

But rest assured for T-bills carries almost zero risks. They are classified as sovereign debt and have shorter term maturities (less than 365 days maturities) that provide investors the best opportunity to invest in a plan that best suits their individual schedules or programs. The returns are somewhat higher than market rates for the same maturities compared to other Financial Institutions or banks' deposit rates.

Benefits to Investor

The investment is well secured with almost zero risk to have you as an investor well confident to get your principal deposit plus interest at maturity. The longer the maturity the higher the interest rate the T-bill will pay to you.

Any investor can draw up his/her investment plan according to the maturity profile of T-bills currently on offer in the market. The time frame gives the investor more time to manage his/her business activities accordingly. In other words, he/she knows exactly what to do with his/her saved surplus funds, when to invest them, maps out his business activities and, therefore, avoid unnecessary and costly trips or unplanned expenditures that have negative impacts on his/her business or even the household expenditure and income.

Benefits to the government and the economy

The purpose of T-bills is to help finance government from their national debt. These are one of the options for the government to source its financing commitments from the public.

The money raised from selling T-bills can be used to fund various public projects, such as the construction of schools, medical services and highways. From this, the government can able to finance some of its activities that it cannot do so under its budget because of mismatches in the government's revenue collection against its recurrent expenditures. The economy benefits as the flow of business activities are not unnecessarily clogged by cash flow problems.

While the T-bill becomes a financial instrument to finance Government's budget gaps in its cash flows, this form of borrowing provides an investment opportunity for the general public, businesses, banks and financial institution to invest on surplus funds at competitive rates. Any private individual, churches, business

houses, banks, tribes, and financial institution are all eligible to invest in the auction T-bills.

So if you are an investor who wants to invest in a product that is secured and has very low risk, consider investing on SIG Auction T-Bills.

Procedures to follow to invest in the Auction Treasury Bills.

Step 1: Invitation to tenders

Every week CBSI puts out a notice for each auction and terms offered, the amount floated, and the maturity date for each term. The invitation to bid can be downloaded from our CBSI website: www.cbsi.com.sb or it can be collected at the CBSI counter. Interested individual can then collect the application forms, fill in the requirements and submit before tender closes on Tuesday at 11am each week.

Step 2: Lodgment of tenders

Investors in T-Bills are strictly advised to use the Application Forms provided for each respective tender. Sealed tenders must be lodged and placed in the tender box before 11:00am on Tuesdays. No late tenders will be considered.

Step 3: Recording and screening of tender forms

The screening of application will follow after the tender closes at 11:00am. The tender committee decides on which application to accept or to reject using the pre-auction tender criteria. The decision by the tender committee must be clearly recorded in the register book and signed by all in the tender committee. The Weighted Average Yield (WAY) for respective maturities and the overall WAY are also computed and agreed upon by the tender committee members.

Step 4: Notification of successful bidders

After the screening process, applicants are notified by phone, faxed letters, and email or over the counter when customers call in person to check the result. A letter of offer is prepared and faxed to successful bidders. Successful bidders can collect their letters from the register officer in the Currency & Banking Operation Department. Unsuccessful bidders are encouraged to try again on the next tender.

Step 5: Settlement & Payment process

Settlement of accepted tender can be made either by cash or cheque drawn from commercial banks, CBSI bank cheque, or direct debit to all accounts held by the CBSI, commercial banks & other financial institution) by 11:00am on a Wednesday weekly. Payment made by cheque are payable to the order of CBSI.

Step 6: Issue of Certificates

After the settlement, the CBSI will issue a certificates with the following information (a) Series number (b) The holder name, (c) The start date (d) The face value, (e) The interest rate, (f) The maturity date, and certificates can be collected at the CBSI office on Thursdays and Fridays.

Step 7: Returning of Certificates

It is a requirement that once the T-Bill has reached its maturity date, the investors must return the certificate for cancellation before they can collect their money in CBSI Cheque. Central Bank will only release payment upon receipts of the original copy of the certificates.

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