

SOLOMON ISLANDS GOVERNMENT

DOMESTIC DEVELOPMENT BOND 2022 (DDB2022)

PROSPECTUS

[Issue authorized by the Public Financial Management Act 2013 and Government Loans and Securities Act (CAP 119)]

SBD298, 900,000.00 TO BE ISSUED BY PUBLIC TENDER.

| Type | Term (Years) | Maturity Date | Amount (SBD) |
|------|--------------|---------------|----------------|
| A | 5 | 9-Nov-27 | 150,000,000.00 |
| B | 3 | 9-Nov-25 | 75,000,000.00 |
| C | 2 | 9-Nov-24 | 73,900,000.00 |

1. Offer summary

1.1. Instrument description

Domestic Development Bonds (DDB) are short-term discount security, denominated in Solomon Bokolo dollars (SBD) and redeemable at Face Value on their Maturity Date.

1.2. Instrument issuer

The issuer is the Solomon Islands Government (SIG).

1.3. Authority to issue

Domestic Development Bonds are issued by the Solomon Islands Minister for Finance on behalf of SIG under the authority of the relevant Section of the Government Loans and Securities Act CAP 100, PFM Act 2013, Public Finance and Audit Act, and other relevant regulations and the government's debt management framework.

1.4. Tenors of Domestic Development Bonds

Domestic Development Bonds are offered over a range of tenors such as the above.

1.5. Issuing agent

The issuing agent is the Central Bank of Solomon Islands (CBSI). As appointed issuing agent, CBSI is responsible for managing and administering Domestic Development Bonds issuance operations in line with the Government Loans and Securities Act CAP 100 of the Revised Laws of the Solomon Islands.

1.6. Eligibility to Bid

An Eligible Bidder may Bid for Domestic Development Bond either in their own right or as a legal representative of a company or trust.

Any Bid submitted by a CBSI or MoFT officer will be deemed to be invalid and will not be accepted.

1.7. Eligibility to own and hold

Any Person, excluding any person and corporates registered with the CBSI, is eligible to own and hold Domestic Development Bond as a Bond Holder.

Any Bid submitted that nominates either a CBSI or MoFT officer to be a Bond Holder will be deemed to be invalid and will not be accepted.

1.8. Registrar

The Registrar is CBSI. As Registrar, CBSI is responsible for maintaining a Register with respect to bonds on the issue in accordance with Sections of the Government Loans and Securities Act CAP 100 and Public Financial Management (PFM) Act 2013.

1.9. Register

The issue of Bonds will be effected and evidenced by particulars of the bonds being entered into the Register by the Registrar. Domestic Development bond Holders will be registered on the Register either as individuals, a company, or individuals/corporate acting as trustees for a trust.

2. Limits on Bond issuance

2.1. Operational limit

The operational limit for the total Face Value amount of SIG Bonds that are authorized to be on issue, under this prospectus is SBD \$298, 900,000.00.

3. Method of issuance

3.1. Issuances

Under the current prospectus, the Government bonds will be issued through the public auction bidding process.

3.2. Responsibility for the tender process

Tenders are conducted by the CBSI and the Bond Tender Committee, in accordance with the 'Bond Issuance Operational Guidelines – the bond policy'.

4. Bid parameters

4.1. Acceptable Bids

Allocation of successful bids in the auction shall be made by the MoFT and CBSI following the close of bidding. Each successful bidder shall pay the yield he/she offered. Successful bids shall be listed in ascending order, starting with the lowest yield, and down to the yield that exhausts the amount offered. Bids will only be accepted if submitted in accordance with this prospectus. The MoFT reserves the right not to accept any bid above rates, which may or may not be released in the offering announcement.

4.2. Submission of Bids

Registered bidders must submit their bids directly to the CBSI either through an electronic platform or placed in a sealed box before the closing date. Bidders must meet the following tenor, volume, and basic requirements.

4.2.1. Applicable tenor

Competitive tender Bids may be submitted for any bond tenor offered in a respective tender.

4.2.2. Bid volume minimum and multiples

Each competitive tender Bid must be for a minimum Face Value volume of SBD \$1,000,000 and in multiples of SBD \$100,000 thereafter. These volume constraints apply to all Bond maturities offered by SIG.

4.2.3. Bid basis

Each competitive tender Bid must be submitted on a percentage yield basis and must be expressed in two (2) decimal places (e.g. 3.01%, 2.31%, and 1.15%). Any integer that is included in a bid Yield, which is beyond two decimal places, will be disregarded.

4.3. Submitting multiple tender Bids

A Bidder may submit a Bid on the types of instrument available in the current bond issuance at any one tender. Further, a Bidder may submit multiple Bids, but may only submit one Bid, with respect to any one tender.

4.4. Submitting a bid

Below is a summary of the key details relating to the process for submitting an acceptable Bid.

4.4.1. Bond Tender Bid Form

Bidders must submit bids by completing and submitting to CBSI a 'Domestic Development Bond (DDB) Tender Bid Form. The form may be submitted either in person or electronically.

4.4.2. Bid submission cut-off time

The cut-off time for submitting a Bid is 12 noon on the Tender Date of the tender for which the Bidder wishes to submit a Bid. Any Bid submitted after this time will not be accepted.

4.4.3. Submitting in person

Bids may be submitted in person to the CBSI, between the notification date and auction hours on Wednesday and other Business Days.

To submit by person, a Bidder must place a completed; Tender Bid Form' in the designated Bond tender box, located at the Currency Banking and Payment Department counter, CBSI by the Bid submission cut-off time.

4.4.4. Electronic submissions

Bids may be submitted electronically to the CBSI by emailing a scanned copy of a 'bond Tender Bid Form' to CBSI (on email debtunit@cbsi.com.sb) by the Bid submission cut-off time.

4.4.5. Modifying a submitted Bid

Once submitted, a bond Tender Bid Form' cannot be modified by a Bidder.

4.5. Allotting Bonds

4.5.1. Responsibility for allotting Bonds

A bond will be allotted by the Bond Tender Committee in accordance with this prospectus.

The Bond Tender Committee reserves the right to allot a Bond to any Bidder for the full volume bid, or any part thereof, and to reject any Bid or part thereof.

The Bond Tender Committee also reserves the right to allot a total volume of Bond in excess of, or below, the total target Face Value volume range indicated in the bond issuance notice of bond tenders'.

4.5.2. Allotting competitive tender bids

Competitive tender Bids will be allotted in ascending order of Yield bid. That is, from the lowest yield bid to the highest Yield bid. Bonds will be allotted at the Yields bid.

4.5.3. Notice of allotment

Bidders that have been allotted bonds, either in full or part thereof, will be notified by CBSI, through any communication means that CBSI sees as being practically fit, by close of business on the same day the auction results are announced.

5. Settlement

5.1. Settlement due date

Any bidder agrees through submission of a bid to pay the settlement amount for successful bids awarded to them in the auction. At the closing, the remaining documents must be signed by the relevant parties before the bonds are transferred from the issuer to the bondholders and the payment for the bonds is transferred from the bondholder to the issuer.

5.2. Bond price

The semi-annual bond price shall be calculated based on the formula provided below;

$$P = \sum_{t=1}^{2n} \frac{C_t/2}{(1 + \frac{y}{2})^t} + \frac{M}{(1 + y/2)^{2n}}$$

Where:

- **P** = Semi-annual bond price
- **n** = Period which takes values from 0 to the nth period till the cash flows ending period
- **C_t** = Coupon payment in the nth period
- **y** = interest rate or required yield
- **M** = Par Value of the bond

Note:

- Where the required yield is higher than the coupon rate, the bond price will be at discount.
- Where the required yield is lower than the coupon rate, the bond price will be at a premium.
- Where the required yield equals the coupon rate, the bond price will be at par value.

5.3. Settlement intentions

Bidders are required to indicate their settlement intentions on the ‘bond’ Tender Bid Form’ when submitting their bid.

6. Repayment

6.1. Repayment amount

Bonds will be repaid at Face Value to the Bond Holder.

6.2. Repayment date

Bonds will be repaid on a semi-annual basis until maturity. The bond semi-annual principal repayment begins six (6) months after the grace period expires.

If the maturity of a bond or interest and principal repayment falls on a non-working day, payment will be effected on the following working day by close of business. No additional interest is expected to be paid in such circumstances.

6.3. Methods of repayment

CBSI will repay Bonds to Bond Holders by the methods nominated in the Tender Bid Form.

7. Contact directory

For issuer information, bidding and tender information, settlement information, registry queries or to lodge a complaint:

Mail:

Manager

Currency, Banking & Payment Department
 Central Bank of Solomon Islands
 P.O. Box 634
 Honiara
 Solomon Islands

Email: eilisia@cbsi.com.sb or debtunit@cbsi.com.sb, **Telephone:** +677 21791

AND or,

Director

Debt Management Unit
Ministry of Finance & Treasury
Solomon Islands Government.

Email: rdukavalaka@mof.gov.sb or DebtManagement@mof.gov.sb **Telephone:** +677 28170