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L.N. 273 of 2017

GOVERNMENT BORROWING AND MANAGEMENT OF PUBLIC DEBT ACT (CAP. 575)

Malta Treasury Bills Regulations, 2017

IN exercise of the powers conferred by article 71 of the Government Borrowing and Management of Public Debt Act, the Minister for Finance has made the following regulations:-

Citation and commencement.

1. (1) The title of these regulations is the Malta Treasury Bills Regulations, 2017.

(2) These regulations shall be deemed to have come into force on 1st September 2017.

Interpretation.

2. In these regulations, unless the context otherwise requires:

"Accountant General" means the Accountant General of the Government of Malta who heads the Treasury Department;

"the Act" means the Government Borrowing and Management of Public Debt Act; Cap. 575.

"*ad hoc* tenders" means an invitation by the Accountant General for selected institutional investors to participate in restrictive competitive tender process;

"auctions" means a public invitation for submission of bids for Treasury Bills in such manner as the Minister may direct;

"business day" means a day other than a Saturday, a national or public holiday listed in articles 2 and 5(1) of the National Holidays and other Public Holidays Act, a bank holiday as declared under article 3(2)(b) of the Banking Act, or a day when the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET), owned and operated by the Eurosystem, is closed for business as may be published on the European Central Bank's website (www.ecb.europa.eu); Cap. 252. Cap. 371.

"bye-laws" has the same meaning as is assigned to it by article 2 of the Financial Markets Act; Cap. 345.

"competent authority" means the person or body appointed by the Minister to carry out the functions of competent authority under the Financial Markets Act; Cap. 345.

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"cut-off rate" means the maximum rate set by the Accountant General at which bids are accepted;

"institutional investors" includes credit institutions licensed by the Malta Financial Services Authority in terms of the Banking Act as well as financial institutions that are licensed by the Malta Financial Services Authority in terms of the Financial Institutions Act;

Cap. 371.

Cap. 376.

"Malta" has the same meaning as is assigned to it by article 124 of the Constitution;

"Minister" means the Minister responsible for finance;

"publication" has the same meaning as assigned to it by article 2 of the Act;

"recognised investment exchange", means a person in regard to whom the competent authority has issued a recognition order in accordance with the Financial Markets Act. For the purposes of these regulations, recognised investment exchange means the Malta Stock Exchange;

Cap. 345.

"Register" has the same meaning as assigned to it by article 2 of the Act;

"Registrar" means the Treasury Department or the Treasury Department's designated Registrar. For the purposes of these regulations, the registrar of Malta Treasury Bills is the Central Securities Depository (CSD) of the Malta Stock Exchange;

"standard tenders" means a public invitation for submission of offers for Treasury Bills which are normally held regularly on a weekly basis and announced in advance by the Accountant General in any media available to disseminate the information to the market including but not limited to the Gazette;

"Treasury Bills" means a short-term debt security with a maturity of one year or less from the date of issuance issued typically at a discount from face value.

Scope.

3. The purpose of these regulations, together with the General Prospectus of Treasury Bills, is to set out the operational arrangements for the issuance and redemption of Treasury Bills undertaken by the Accountant General.

Description of the debt security.

4. (1) Treasury Bills are fixed term zero-coupon debt security denominated in euro and shall have a maturity of not more than twelve months from the date of issue. Typically, the Accountant

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General holds regular weekly auctions for one or any combination of maturities consisting of 1 month (typically 28 days), 3 months (typically 91 days), six months (typically 182 days), 9 months (typically 273 days) and one year (typically 364 days).

(2) In addition to the weekly auctions, if the circumstances so warrant, the Accountant General may also on occasion issue Treasury Bills with maturity dates from 1 to 364 days on an *ad hoc* basis through *ad hoc* tenders. Tenders shall be identical to those issued for Treasury Bills via weekly tenders.

Listing on the exchange and registration.

5. (1) The Accountant General may, at his discretion, list on a recognised investment exchange such Treasury Bills issued under these regulations.

(2) Treasury Bills shall be registered and maintained electronically in an uncertified form by the appropriate entry in the register of the Treasury Department or its appointed registrar, by entering therein the name and address of the holders, the nominal value, maturity date of the bills, all transfers of and all dealings and such other particulars as may, from time to time, be considered necessary by the Treasury Department and such other particulars as may from time to time, be considered necessary by the Registrar.

(3) The Register of Malta Treasury Bills is currently held and maintained by the Central Securities Depository (CSD) of the Malta Stock Exchange. The Minster may however, by regulation under the Act, designate any recognised electronic central securities depository to provide the services and functions of a registrar in terms of sub-regulation (2).

Identification.

6. (1) Treasury Bill tranches are identified by the issue date and the respective maturity date.

(2) The Central Securities Depository shall assign an International Security Identification (ISIN) Code to each Treasury Bill tranche.

Issuance calendar.

7. (1) The Accountant General shall publish on a monthly basis an indicative issuance calendar of Treasury Bills.

(2) The calendar shall list the maturities of the Treasury Bill tranches to be issued during the following month, the date of the auction and any such other information as may be determined by the Accountant General.

Authority to issue bills.

8. The Accountant General shall determine the nominal amount of Treasury Bills to be issued in the periodic auctions, as well

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as the term and mode of issue of such Treasury Bills, in accordance with such authorisation as may be issued from time to time by the Minister.

General prospectus.

9. (1) In terms of article 25(2) of the Act the Accountant General shall publish a general prospectus for Treasury Bills which, together with the Act and these regulations, shall govern the issuance of Malta Treasury Bills.

(2) The general prospectus of Malta Treasury Bills shall contain the terms and conditions of issuance, including:

(a) general information on Malta Treasury Bills including the issue date, terms and redemption dates;

(b) key features of the tendering process;

(c) minimum bid size and multiple units thereon;

(d) allotment procedure and settlement arrangements;

(e) registration;

(f) notification of auction results;

(g) payment of interest (discount) and taxation;

(h) redemption of Treasury Bills;

(i) buy-back arrangement; and

(j) jurisdiction and governing law.

Modes of issue.

10. (1) Treasury Bills may be issued:

(a) on a money market fixed yield basis (rate of discount), and

(b) by a competitive auction after a public invitation for bidding; or

(c) by a restrictive competitive tender process limited to a number of selected institutional investors.

(2) Treasury Bill competitive auctions shall be held on a weekly basis through a standardised tendering process or as may otherwise be determined by the Accountant General.

(3) When Treasury Bills are issued at a fixed rate of discount

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(yield), such rate shall be fixed by the Accountant General.

Standard tenders.

11. (1) Save as provided in regulation 12, the Accountant General shall invite applications or tenders for Treasury Bills by giving notice in the Gazette not less than three business days prior to the final date on which applications or tenders will be received by the Accountant General. Such notice shall specify the date of the auction, the deadline for submission of bids, the period for which the bills are to be issued, the settlement date and the mode of payment of bills.

(2) If the Treasury Bills are due to be auctioned and issued (settled) in weeks including national or public holidays or bank holidays, the typical auction and settlement date (issue date) may be adjusted. Such adjustments will be notified in advance in the Treasury Bill issuance calendar.

(3) Where for the reasons mentioned in sub-regulation (2) or due to any other reason it is necessary to adjust the settlement date (issue date) from the standard issuance date as established by the Accountant General, the typical maturity term of the bills may be adjusted.

Ad hoc Treasury Bill tenders.

12. Notwithstanding the provisions of regulation 11, the Accountant General reserves the right to invite a number of selected institutional investors to participate in *ad hoc* tenders whereby such investors will be requested to submit their bids within such limited number of hours as may be stipulated in the invitation. These *ad hoc* tenders shall be settled on the day of the tender or on such other day as may be set by the Accountant General in the invitation to bid. Bills issued through *ad hoc* tenders shall be identical to those issued weekly under regulation 11.

Computation of discount (interest).

13. (1) Treasury Bills are zero coupon securities and are usually issued at a discount to their nominal (principal) value, with the discount (interest) being deducted from their nominal value. The interest is equal to the face value minus the purchase price.

(2) The computation of discount (interest) shall be in accordance with such methodology as shall be notified to the market by the Accountant General from time to time.

Bidding

14. (1) Bids shall be made on the prescribed application form, and are to be sent electronically by fax on a number registered with and recognised by the Treasury, by e-mail on the e-mail addresses prescribed on the application form or by such other means as may be determined by the Accountant General.

(2) There is no limit to the number of bids (applications) by

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any one participant.

(3) All bids must be received at the Treasury by the pre-announced deadline notified on the general prospectus and on the prescribed tender form (application). Any bids received by the Accountant General after the prescribed deadline shall not be accepted.

(4) Only offers with a definite rate shall be considered.

(5) All offers shall be irrevocable after closing time.

(6) The Accountant General shall not be bound to accept any offer unless payment in respect of the offer is made as may be specified on the form of application.

Processing of bids.

15. (1) In the case of a competitive auction held under the standard tendering procedure or by *ad hoc* tenders, at the close of the bidding, the Accountant General shall rank the bids received for each maturity on offer in ascending order of rates.

(2) The Accountant General reserves the right to determine a cut-off rate on the basis of the bids received. Treasury Bills shall be allotted to those bids that are at, or below, the cut-off rate established by the Accountant General to be the highest accepted rate (the cut-off point). The bids equal or lower than such cut-off rate shall be satisfied in full, unless the total amount of such bids exceeds the amount which the Treasury has decided to issue. In the latter case, bids at the highest accepted rate (cut-off rate) shall be allotted on a *pro-rata* basis calculated in accordance with the amount of each bid. All accepted bidders shall pay the price as calculated from each respective rate as specified in their bids in accordance with the following price/yield formula:

$$P = \frac{N}{1 + \frac{(y\% \times n)}{360}}$$

Where: P = settlement proceeds in euro

N = nominal value in euro

Y% = yield quoted as percentage per annum

n = number of calendar days from the settlement (issue) date up to the last day which immediately precedes the maturity

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date (both days inclusive) [term].

(3) The Accountant General reserves the right:

(a) not to allot any Treasury Bills on offer without assigning any reason therefor; or

(b) to reject applications if the bidder has failed to comply with the terms and conditions in the general prospectus.

Issuance of results to bidders.

16. Upon acceptance, the successful and unsuccessful bidders shall be notified of their allotment or rejections on the same day on which the auction is held.

Settlement of standard tenders.

17. (1) Settlement of the amount allotted to each successful bidder shall take place on the second business day following the auction date (T+2) at the time indicated on the tender form as may be determined by the Accountant General.

(2) The Accountant General reserves the right to claim compensation from any successful bidder in the event that payment is not received on the due settlement date and time for any reason whatsoever.

Redemption.

18. Treasury Bills are redeemed at nominal value upon maturity.

Payment of bills upon maturity.

19. The repayment of capital in respect of matured Treasury Bills shall be made to the registered holder as appearing in the Central Securities Depository on the maturity date specified in the bills by crediting directly a bank account as may be specified by the holder.

Buy-back arrangements.

20. The Accountant General may, at his discretion, redeem bills on a date prior to maturity through buy-back arrangements on such terms and conditions as may be negotiated on a voluntary basis between the Treasury and the respective Treasury Bill holders. The Accountant General reserves the right to determine whether such terms and conditions are to be offered to all Treasury Bill holders through a public announcement or selectively on a bilateral basis.

Secondary market trading.

21. (1) Transactions in Treasury Bills in the secondary market shall be subject to the rules of the recognised investment exchange where they are admitted to listing and trading.

(2) Settlement of secondary market transactions in Treasury Bills shall be effected in accordance with the prevailing clearing and settlement rules of the recognised investment exchange where the Treasury Bills are admitted to listing and trading.

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