



SAMPLE OF BID FORM



Notes



RESERVE BANK OF MALAWI



RESERVE BANK OF MALAWI

BID FORM FOR DAYS RBM BILLS

NAME OF BIDDER:

MAILING ADDRESS:

FAX NO.: TEL:

Auction Date: Settlement Date:

Bidder's Bank: Settlement A/C No.:

Branch:

BID NUMBER	AMOUNT APPLIED FOR (MK)	BID PRICE	BID NUMBER	AMOUNT APPLIED FOR (MK)	BID PRICE
1			6		
2			7		
3			8		
4			9		
5			10		

Upon being successful we hereby authorize our bankers to debit our indicated settlement account. The amount to be debited will be the cost of RBM Bills awarded to us.

Authorized signatory(ies).....

Mail or fax to: The Director, Financial Market Operations, P.O. Box 30063, Capital City, Lilongwe 3; Fax No.: 772301/4498, Tel. No.: 770600

Any Enquires should be directed to:

The Director
Financial Market Operations
P O Box 30063
Lilongwe, Malawi

Phone: 01 770600
Fax: 01 772301 or 01 774498



*Guide to Investing
in Reserve Bank
of Malawi Bills*

APRIL 2005



General Terms and Conditions

Definition

Reserve Bank of Malawi (RBM) Bills are relatively credit-risk free financial instruments issued for monetary control by the Reserve Bank of Malawi as authorized by the RBM Act, 1989. These Bills are sold at a discount and redeemable at face value on maturity. The current tenors are 63 and 91 days.

Amount Applied For

RBM Bills are bid and offered at minimum nominal amounts of K1,000,000.00 and in multiples of K1,000,000.00 thereafter. Separate bid forms should be completed for each tenor.

Auction

Unless otherwise announced, RBM Bill Auctions are held every Tuesdays. To participate, potential investors must have an operating account with any of the registered commercial banks in Malawi, and must complete Application Forms available at the Reserve Bank of Malawi, Lilongwe and Blantyre, and all branches of commercial banks in Malawi. Completed forms must be submitted to the Reserve Bank of Malawi, Lilongwe by 11 a.m. on the auction day. Application forms must indicate name and address of bidder, tenor, amount offered, bid price and bidder's bankers and settlement account.

A summary of tender results are published on Thursday in selected print media.

Calculation of Bid Price (BP) and Purchase Price (PP)

$$BP = 100 - (\text{Discount rate} * \text{No. of days}) / 365$$

$$PP = \text{Bid price} * \text{Face Value} / 100$$

Example

Company A intends to invest K1,000,000 for 91 days at a Discount rate of 24.64 percent.

$$BP = 100 - (24.64 * 91) / 365$$

$$= 100 - 6.1431$$

$$= 93.8569$$

$$PP = K1,000,000 * 93.8569 / 100$$

$$= K938,569.00$$



Settlement

The RBM shall instruct the local banks to debit their respective successful bidders accounts by the purchase prices. Successful bidders shall be required to make available adequate funds in their accounts for settling their successful bids on the issue date by 8.00.a.m. This requirement is necessary in order to ensure a smooth and timely settlement process.

Certificates

The Reserve Bank of Malawi shall issue a certificate of title in the name of the bidder certifying that the bill-holder is the Registered holder of the principal bills as referred to therein.

Where a certificate has been destroyed, mutilated or rendered illegible, the Reserve Bank of Malawi on receiving evidence of the loss or destruction or, as the case may be, on the surrender of the mutilated or illegible certificate of title may, on such terms and subject to such conditions as the Reserve Bank prescribe, issue a substitute certificate of title with the word "SUBSTITUTE" stamped or written there on and shall record the issue thereof in the Register.

Transfer

RBM bills are transferable (as per trading guidelines issued by the Reserve Bank from time to time). There will be no stamp duty for the transfer of bills from one investor to another eligible investor.

Repayments

RBM bill certificates shall be returned to the Reserve Bank of Malawi at least seven days before maturity date in order to allow timely payment of redemption proceeds. On maturity, proceeds will be paid by crediting the nominal values (Face Value) of the bills to the security holder's settlement account. Bills are not repayable prior to maturity date.

Interest earned on RBM Bills in excess of K10,000 is subject to government withholding tax (WHT). In the example above company A will earn the following net interest on the K1,000,000 investment.

$$\text{Gross Interest} = \text{Face Value} - \text{Purchase Value}$$

$$= K1,000,000 - K938,569.00$$

$$= K61,431.00$$

$$20\% \text{ WHT} = (K61,431 - K10,000) * 20 / 100$$

$$= K10,286.20$$



$$\begin{aligned} \text{Net Interest} &= \text{Gross Interest} - \text{WHT} \\ &= K61,431.00 - K10,286.20 \\ &= K51,144.80 \end{aligned}$$

The total amount of cash credited to the company's account will be:

$$\begin{aligned} \text{Face Value less WHT} &= K1,000,000 - K10,286.20 \\ &= K989,713.80 \end{aligned}$$

The Reserve Bank of Malawi will accept instructions from security holders on any changes to the settlement account details, 7 days prior to maturity date.

Some Important Definitions

- Bidder:** Includes an individual, firm, company or unincorporated body of persons or any agency wishing to purchase RBM Bills.
- Bid Price:** Means the amount a bidder is prepared to pay for K100 worth of RBM Bills, rounded to four decimal places.
- Commercial Bank:** Means any bank registered under the Banking Act, 1989 to engage in retail banking among other banking activities.
- Face Value:** Means the nominal value of the RBM Bill.
- Issue Date:** Means the value date or the date on which the bidder pays for and the issuer issues RBM Bill certificate.
- Issuer:** Means the Reserve Bank of Malawi.
- Maturity Date:** Means the date on which the RBM Bills will be redeemed.
- Nominal Value:** Means the face value of the RBM Bills.
- Purchase Price:** Means the price at which the bidder offers to purchase RBM Bills.
- Settlement Date:** Means issue date or the value date for transfer of ownership specified in the Auction Notice.
- Tenor:** Means a given number of days between the issue date and maturity date of the RBM Bills.
- RBM Bills:** Means Reserve Bank of Malawi Bills as defined in these guidelines.