



## NOTES



## DEFINITIONS

<b>Auction Notice:</b>	Means a press Advertisement inviting the general public to purchase Treasury Bills by way of an auction.
<b>Bidder:</b>	Includes an individual, firm, company or unincorporated body of persons or any agency wishing to purchase Treasury Bills.
<b>Bid Price:</b>	Means the price at which the bidder offers to purchase Treasury Bills.
<b>Commercial Bank:</b>	Means any bank registered under the Banking Act, 1989 to engage in retail banking among other banking activities.
<b>Face Value:</b>	Means the nominal value of the Treasury Bill.
<b>Issue Date:</b>	Means the value date or the date on which the bidder pays for and the issuer issues a TB certificate.
<b>Issuing Agent:</b>	Means the Reserve Bank of Malawi acting as agent of the Treasury.
<b>Maturity Date :</b>	Means the date on which the Treasury Bills will be redeemed.
<b>Nominal Value :</b>	Means the face value of the Treasury Bills.
<b>Paying Agent:</b>	Means the Reserve Bank of Malawi acting as agent of the Treasury.
<b>Purchase Price:</b>	Means the amount a bidder is prepared to pay for K100 worth of TBs.
<b>Register:</b>	Means the Register of Treasury Bills maintained by the Reserve Bank of Malawi.
<b>Registrar:</b>	Means the Reserve Bank of Malawi acting as agent of the Treasury.
<b>Settlement Date:</b>	Means issue date or the value date for transfer of ownership specified in the Auction Notice.
<b>Tenor:</b>	Means a given number of days between the issue date and maturity date of the Treasury Bills.
<b>Treasury:</b>	Means the Ministry of Finance.
<b>TBs:</b>	Means Treasury Bills as defined in these guidelines.

*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



## RESERVE BANK OF MALAWI



### *Guide to Investing in Malawi Government Treasury Bills*

APRIL 2005



# Government of Malawi Treasury

## DESCRIPTION

Treasury Bills (TBs) are relatively credit-risk free financial instruments issued by the Malawi Government to borrow funds from the general public to finance short-term budgetary operations. TBs are sold in maturities of 91 days, 182 days and 273 days. They are sold at a discount and carry no coupon. TBs are redeemable at face value on maturity.

## ISSUER

Pursuant to the Finance and Audit Act, the Secretary to the Treasury is authorized by the Minister of Finance to borrow for and on behalf of the Government sums of money by issue of

## ISSUING AND PAYING AGENT

Treasury Bills payable at the Reserve Bank of Malawi. The Reserve Bank of Malawi acting as agent for the Treasury

## FEES AND DEDUCTIONS

is authorized to conduct TB transactions. The bidding, transfer, principal repayment, issue of certificates of title and certifications of transfer of TBs is made free of fees, duty, charges or levy. However, clearing charges may be levied by commercial banks in accordance with each respective bank's rules and procedures.

In accordance with the provisions of the Income Tax Act, withholding tax will be deducted from payment of interest in excess of K10,000 earned from TBs, unless an original or certi-

## BIDDING PROCEDURES

fied copy of an exemption certificate is produced to the Reserve Bank of Malawi at least seven (7) days prior to the redemption date.

Treasury Bill auctions are conducted on Friday at weekly auctions conducted by the Reserve Bank of Malawi. Invitations to bid in TBs auctions are announced in the Nation newspaper on Monday of the Auction week. Each announcement will among other things include:-

- The amount to be offered and maturity dates of bills



## Application to Bid (Participation in the TBs Auctions)

for which bids will be invited.

- The date and closing time for bids
- The settlement date of bills

Tenders for Treasury Bills are made by completing Treasury Bills Application Forms available at the Reserve Bank of Malawi, Lilongwe and Blantyre and all branches of commercial banks in Malawi. The forms are in different maturities; 91 days, 182 days and 273 days.

The following information is required on the bid form:-

- Name and address of bidder
- Amount offered
- Bid price
- Bidder's bankers and settlement account

## Bids

- Amount offered
- Bid price
- Bidder's bankers and settlement account

Each bid for TB's must be of a minimum amount of K10,000.00 (principal) and in multiples of K1,000.00 (principal)

## Certificates of Title

thereafter. Separate bid forms should be completed for each tenor, 91, 182 and 273 days.

Bills will be issued in registered form having a minimum principal of K10,000 and multiples of K1,000 thereafter.

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.

The bills are transferable (as per procedures for Transferring and Trading Government Securities, 1995). There will be no stamp duty for the transfer of bills from one investor to another eligible investor.

The Reserve Bank of Malawi shall issue a certificate to which any amount of bill is transferred representing the amount of the TB.

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



## SAMPLE OF BID FORM



RESERVE BANK OF MALAWI

### BID FORM FOR 91 DAYS TREASURY BILLS

NAME OF BIDDER: .....

MAILING ADDRESS: .....

FAX NO.:..... TEL NO:.....

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 I/we hereby authorise my/our bankers to debit my/our indicated settlement account. The amount to be debited will depend on the amount of Treasury Bills awarded to me/us by the Reserve Bank of Malawi.

Authorised Signatory(s) .....

Mail or fax to: The Director, Financial Market Operations Department, P. O. Box 30063, Capital City, Lilongwe 3. Fax Nos. 772 301/774 498 Tel No: 770 600

IMPORTANT NOTES OVERLEAF