

# **Guidelines for Domestic Debt Issuance**

**DEBT MANAGEMENT UNIT – MINISTRY OF FINANCE  
KINGDOM OF TONGA**

## Abbreviations and Acronyms

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ABP	Annual Borrowing Plan
ABS	Annual Budget Strategy
DeMPA	Debt Management Performance Assessment
DMU	Debt Management Unit
GoT	Government of Tonga
IMF	International Monetary Fund
ISIN	International Securities Identification Number
MoF	Ministry of Finance
MTDS	Medium-term debt strategy
MTFS	Medium-term fiscal strategy
NRBT	National Reserve Bank of Tonga
PFMA	Public Financial Management Act

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## 1 Introduction

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The Government of Tonga has three stated debt management objectives. First, to ensure that government’s financing needs are met at the lowest possible cost subject to a prudent degree of risk; second, to contribute to long-term debt sustainability; and, third, to develop the domestic market for government securities to reduce the exchange rate risk. Internationally accepted and widely implemented guidelines for government securities market development specify four key requirements:

- **Clear debt management objectives and a debt strategy** that involves market finance and establishes risk management objectives.
- **Broad market access and transparency** by providing high quality information about debt structure, funding needs, and debt management strategies to market participants and the public.
- **Sound and prudent debt management operations** including clear debt management objectives, strong coordination between monetary and fiscal policy, an effective institutional framework, and strong operational capacity.
- **Market-oriented government funding strategy** including government’s firm commitment to finance itself through the market, thereby becoming a price-taker and subject to market pricing.

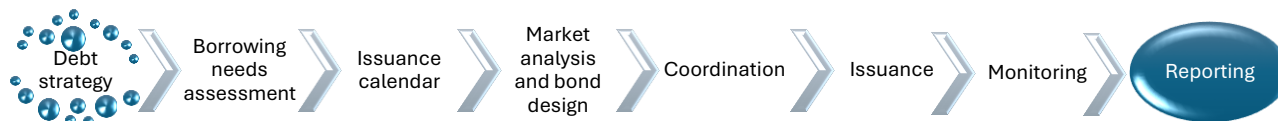
These procedures are prepared for the sole use of the Debt Management Unit (DMU) in the Ministry of Finance (MoF) to guide their internal operations. They are designed to provide clear standardized steps for all operations involving the DMU in the issuance of government securities in the domestic market. Those issuance activities undertaken by the National Reserve Bank of Tonga (NRBT) in its capacity as fiscal agent and registrar are not covered in this document.

These procedures are consistent with:

- the provisions of legislation for public debt, and
- international best practices for public debt management established by the International Monetary Fund (IMF)/World Bank *Guidelines for Public Debt Management* and further elaborated on in the World Bank’s *Debt Management Performance Assessment (DeMPA)* toolkit.

These procedures include and standardize both existing activities related to domestic issuance as well as those that should be undertaken based on anticipated changes to debt legislation as well as internationally accepted practice for domestic securities market development.

**Figure 1. Domestic Securities Issuance Cycle**



Domestic government securities issuance typically follows a cycle of strategy formulation, borrowing needs assessment, setting an issuance calendar, market analysis and bond design, coordination, issuance, monitoring, reporting and market communication (Figure 1). The procedures in this document will capture all the activities in the issuance cycle including NRBT’s responsibility in its role as fiscal agent to the Government.

## 2 Legal and Institutional Arrangements for Issuance of Government Securities

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The legal and institutional arrangements for issuance of domestic securities by the Government of the Kingdom of Tonga (GoT) are governed by the Public Financial Management Act (PFMA) 2020 and the National Reserve Bank of Tonga (NRBT) Act (revised 2016). These Acts include:

### 2.1 Public Financial Management Act

Under the PFMA, the Minister of Finance is responsible for managing public finances and has the authority to delegate any of his powers to the Chief Executive Officer (CEO) for Finance. The Minister may borrow on behalf of the Government under this Act provided the Cabinet gives prior approval. Bonds cannot be issued or registered unless directed by Cabinet. The PFMA also provides for the issue of Treasury bills as long as the issuance is in accordance with any regulations made under the Act.

### 2.2 National Reserve Bank of Tonga Act

Section 46 (1) of the NRBT Act provides for the NRBT to act as principal banker, fiscal agent, and depository for the Government. The Act also provides for the NRBT to act as registrar for any domestic issues of government Treasury bonds, bond, promissory notes, and treasury bills.

### 2.3 Principal-Agent Responsibilities

The principal entity responsible for borrowing on behalf of the GoT is the Minister of Finance with powers delegated under the PFMA. At the operational level, the Ministry of Finance, through the DMU, is empowered by the Minister to perform debt management functions including domestic debt issuance.

The DMU is responsible for:

- Preparing a debt management strategy to establish the cost-risk parameters within which domestic debt issuance will occur
- Drafting an ABP based on the Government's borrowing requirement which sets out the allocation between domestic and external borrowing and the share of domestic debt that will be raised through securities and loans.
- Preparing a calendar of issues that sets out the instruments, tenors, and volumes that will be issue over the financial year
- Collaborating with the NRBT on the design of each debt security to be issued based on both Government's financing requirements and market intelligence

The NRBT is empowered by law to act as banker, fiscal agent, and registrar for the Government. In this role, as approved by the MoF, the NRBT is responsible for:

- Conducting auctions of GoT domestic securities, including announcing auctions and publishing results, checking applications, allocating bids, and opening and closing the issue
- Facilitating the settlement of amounts received from the sale of securities
- Acting as registrar for any domestic issues of government Treasury bonds, bonds, promissory notes, and treasury bills, including the issue and transfer of certificates to successful bidders after the auction

The NRBT, as advisor to the GoT's, is also responsible for keeping the DMU regularly informed about liquidity conditions and market appetite and the timing for securities issuance.

## 3 Pre-Issuance Procedures

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### 3.1 Preparing the Medium-Term Debt Strategy

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#### Policy

Prior to the start of each financial year, the DMU shall prepare a **medium-term debt management strategy** (MTDS) to ensure that domestic borrowing decisions and the domestic debt issuance strategy are aligned with the Government of Tonga's (GoT) cost-risk objectives and gross financing needs.

The MTDS shall be revised, completed, and submitted for approval no later than third quarter of the prior financial year. Upon approval by (the Minister/CEO Finance), the MTDS shall no later than one business day thereafter be published on the MOF website.

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#### Guidelines

The MTDS shall be based on :

- An analysis of the existing portfolio
- Existing macroeconomic conditions
- Gross financing needs over 3 years (the strategy horizon) and sources of potential financing
- The early development of the domestic government securities market.

The MTDS shall assess:

- Alternative borrowing scenarios
- The cost-risk trade-offs associated with different financing options.

The MTDS shall cover a three-year horizon and shall be prepared in consultation with:

- The MOF Treasury, Budget, and Economic Fiscal Policy divisions
- Public Debt Management Committee (PDMC)
- National Reserve Bank of Tonga (NRBT).

The DMU shall submit the draft MTDS to the Chief Executive Officer (CEO) for Finance for review and approval. On approval, the MTDS shall be published on the official MOF website no later than June 30, every three (3) years. However, the MTDS shall be reviewed annually, and shall be updated and republished if there are material changes to the economic and financial environment.

The DMU shall use the MTDS to guide the preparation of the annual borrowing plan (ABP) and annual domestic borrowing operations.

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#### Outputs

The DMU's key outputs from this activity are:

- Approved medium-term debt strategy
  - Strategic domestic borrowing targets.
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## 3.2 Preparing the Annual Borrowing Plan

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### Policy

At the beginning of every financial year, the DMU shall prepare an **Annual Borrowing Plan (ABP)** that translates the GOT's Medium-Term Debt Strategy (MTDS) into an operational financing program for the fiscal year. The ABP shall also be consistent with the Annual Budget Strategy (ABS, the Medium-Term Fiscal Strategy (MTFS), and existing PFMA borrowing ceilings.

The ABP shall be completed and submitted along with the MTDS for approval not later than 4 weeks before the end of each financial year.

Upon clearance by the CEO of Finance and authorization by the Minister, the DMU shall publish the ABP on the official MOF website to promote transparency, accountability, and predictability.

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### Guidelines

In preparing the ABP, the DMU shall:

- Obtain the gross financing requirement from the Budget Unit
- Estimate the rollover needs for maturing securities
- Calculate gross domestic borrowing requirements.

In consultation with the NRBT and the Budget Office, the DMU shall determine the annual domestic issuance mix, and ensure that the ABP specifies:

- Current existing domestic portfolio
- Instrument type: Treasury bills or Treasury bonds
- Market tenors
- Indicative volumes.

The DMU shall further consult with the NRBT (the issuing agent) on:

- Market capacity
- Monetary policy implications
- Auction calendar feasibility.

The DMU shall prepare the ABP and submit it for internal review and approval by the Chief Executive Officer (CEO) for Finance and the Finance Minister. On approval, the ABP shall be published on the official MOF website no later than June 30, each year.

The DMU shall revise the ABP semi-annually to reflect any budget updates or significant change in financing conditions.

In conjunction with the NBRT, the DMU shall use the ABP to prepare a calendar of issues.

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### Outputs

The DMU's key outputs from this activity are:

- Approved ABP
  - Target volumes for domestic issuance.
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### 3.3 Preparing the Issuance Calendar

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#### Policy

The DMU shall, in conjunction with the NRBT, prepare and publish an **Issuance Calendar** for domestic government securities to promote transparency and predictability in government borrowing operations. The DMU shall ensure that the Issuance Calendar aligns with GOT's cash management requirements

The Issuance Calendar shall be published annually and reviewed and revised quarterly to reflect any budget updates or significant changes in market conditions.

The DMU shall ensure that the Issuance Calendar is published on the official MoF website.

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#### Guidelines

One month prior to the start of each fiscal year, the DMU shall prepare an Issuance Calendar that sets out the planned schedule of government securities issuance. The DMU will coordinate closely with:

- The NBRT (the issuing agent) to ensure consistency with market conditions; and
- The Treasury Division to ensure consistency with government's cash management requirements.

The Issuance Calendar shall set out:

- The indicative auction dates
- The instrument type, bond, or bill
- The maturities for the relevant period
- The indicative volume.

The Issuance Calendar shall cover a one-year horizon

The DMU shall submit the draft Issuance Calendar to the Chief Executive Officer (CEO) for Finance for review and approval. On approval by the MoF, the DMU shall:

- Provide the NBRT with the details of the Issuance Calendar as soon as possible and, in any event, no later than 1 business days after approval
  - Publish the Issuance Calendar on the official MOF website no later than June 30, each year.
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#### Outputs

The DMU's key outputs from this activity are:

- Approved and published Issuance Calendar
  - Notification to the NRBT
-

### 3.4 Preparing the Prospectus

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#### Policy

Prior to the issue and sale of each domestic security, the DMU shall prepare a **Prospectus** that provides the terms and conditions of each securities issue.

The DMU shall provide the prospectus to the NBRT at least 10 working days before issuance for release on the NBRT website. The DMU shall ensure that the Prospectus is also released on the official MoF website.

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#### Guidelines

The DMU shall prepare a Prospectus which details the terms and conditions of the debt security on offer. The Prospectus shall, at a minimum, contain the following information (see **Appendix 1**):

- Authority under which security is issued (PFMA)
- Eligible investors
- The issue type ( new security or re-opening)
- The security identification number
- Issue date
- Minimum bid amount
- Bids closure date and time
- Decision on allotment
- Settlement date and time
- Settlement of the successful application
- Offer amount for debt security
- Maturity date
- Interest payment dates
- Coupon rates
- Computation of interest payments and accrued interest
- Day-count conventions (e.g., 365-day, 360-day)
- Contact details at the DMU and the NBRT for operational queries.

The DMU shall ensure that a copy of the approved Prospectus is posted on the official MoF website.

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#### Outputs

The DMU's key outputs from this activity are:

- Approved and published Prospectus
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### 3.5 Preparing the Issuance Guide

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#### Policy

The DMU shall, in close consultation with the NRBT, prepare an **Issuance Guide** that provides comprehensive information to investors on how to purchase domestic government securities.

The DMU shall publish the Issuance Guide on the official MoF website and request the NRBT to similarly do so. The DMU shall promptly update the Issuance Guide once terms and conditions for domestic debt issuance change.

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#### Guidelines

The DMU shall prepare an Issuance Guide (see **Appendix 2**) which details all the steps in the issuance process.

The Issuance Guide shall, at a minimum, contain the following information:

- Eligible investors
- Methods of issue (auction, tap, syndication)
- Bond re-openings
- Announcement of the auction
- Bidding time period (opening and closing time)
- Minimum subscription
- Processing of bids
- Approval of auction cut-off amounts
- Decision on allotment
- Announcement to successful bidders and the market
- Settlement of the successful application
- Form of security ( paper certificate or dematerialized)

The DMU shall ensure that a copy of the approved Issuance Guide is posted on the official MoF website.

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#### Outputs

The DMU's key outputs from this activity are:

- Approved and published Issuance Guide
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## 4 Issuance Coordination

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### 4.1 Preparing Issuance Instructions to National Reserve Bank of Tonga

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#### Policy

The DMU shall closely coordinate with the NRBT and provide formal issuance instructions prior to each scheduled auction to ensure that all domestic issuance operations are conducted in accordance with the government's Medium-Term Debt Strategy, Annual Borrowing Plan, and Issuance Calendar.

#### Guidelines

Ten working days prior to the start of each scheduled securities issue, the DMU will prepare and transmit issuance instructions to the NRBT specifying operational parameters for each auction (see **Appendix 3**).

The issuance instructions shall include:

- Instrument type (Treasury bill or Treasury bond)
- Security identification number
- Issue date
- Settlement date
- Issuance amount
- Any reopening of an existing security
- Reference to the approved Prospectus

The DMU shall verify that the proposed issuance is consistent with:

- The Annual Borrowing Plan
- The approved Issuance Calendar
- Government cash management requirements

The issuance instructions shall be reviewed and approved internally by the Chief Executive Officer (CEO) for Finance prior to transmission to the NRBT.

The DMU shall transmit the approved issuance instruction to the NRBT electronically and retain a copy for official records.

#### Outputs

The DMU's key outputs from this activity are:

- Approve issuance instruction transmitted to the NRBT
  - Official record of issuance instructions maintained by the DMU
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## 4.2 Monitoring Auction Operations

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### Policy

The DMU shall **monitor domestic securities auctions** conducted by the NRBT to ensure that issuance operations are conducted in accordance with the government's borrowing plan, and to assess market demand for government securities.

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### Guidelines

During each auction, the DMU shall maintain close communication with the NRBT.

Following the close of the auction, the NRBT shall provide the DMU with a summary of the auction results including:

- The amount applied for
- The amount issued
- The applicable coupon
- The Total bids received
- Total amount allotted
- Number of participating bidders

The DMU shall review the auction results to assess:

- Market demand for government securities
- Consistency with borrowing targets

Where significant deviations occurs from expected auction results, the DMU shall consult the NRBT to assess the possible implications for future securities issues.

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### Outputs

The DMU's key outputs from this activity are:

- Record of auction results
  - Internal assessment of auction performance
-

### 4.3 Verifying Auction Results

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#### Policy

The DMU shall verify the auction results provided by the NRBT to ensure the accuracy of issuance records prior to recording the transaction in the MOF debt management system.

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#### Guidelines

Following each auction the NRBT shall transmit the official auction results to the DMU

The DMU shall review the information received from the NRBT and confirm:

- The amount issued
- The applicable coupon
- The issue date
- The settlement date
- The maturity date
- The settlement date

The DMU shall reconcile the auction results with:

- The issuance instructions previously provided to the NRBT
- The approved Prospectus

Where discrepancies are identified, the DMU shall immediately consult with the NRBT to revise the information.

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#### Outputs

The DMU's key outputs from this activity are:

- Verified auction results
  - Confirmed issuance details for recording in the debt management system.
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## 5 Post-Issuance Procedures

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### 5.1 Verifying Settlement and Proceeds

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#### **Policy**

The DMU shall verify that the proceeds from the sale of government securities have been correctly settled and credited to the Government's account.

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#### **Guidelines**

Following settlement of the auction, the NRBT shall confirm the receipt of funds from successful bidders

The DMU shall verify that the proceed form the issuance have been credited to the appropriate Government account

The DMU shall reconcile settlement record received from the NRBT with:

- Government bank account statements; and
- Bond receipt is in the financial system; and
- Issuance records maintained in the debt management recording system'

Any discrepancies identified shall be investigate promptly in consultation with the NRBT.

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#### **Outputs**

The DMU's key outputs from this activity are:

- Confirmation of settlement of issued securities
  - Reconciliation record of proceeds received.
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## 5.2 Publishing Issuance Results

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### Policy

The DMU shall publish the results of government securities auctions to promote transparency and support the development of the domestic government securities market.

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### Guidelines

Upon verification of auction results, the DMU shall publish the issuance results of the official MoF website (see **Appendix 4**).

The published information shall include:

- Auction date
- Offer amount
- Tenor
- Total bids received
- Total successful bids
- Amount applied for
- Amount allotted
- Coupon or yield

The DMU shall ensure that the information publishes is consisted with the official auction results provided by the NRBT.

The DMU shall promptly update its dedicated webpage on the official MoF website following each issue, and in any event, no later than 2 days after the results are received from the NRBT.

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### Outputs

The DMU's key outputs from this activity are:

- Published auction results
  - Updated government securities webpage
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### 5.3 Recording Issuance

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#### Policy

The DMU shall **record all newly issued domestic securities** in the official MoF debt management recording system to ensure that the Government's domestic debt portfolio is accurately maintained.

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#### Guidelines

Upon verification of the auction results, the DMU shall record the issuance transaction in the debt management recording system.

The recorded information shall include:

- Instrument type
- Issue date
- Maturity date
- Coupon rate
- Nominal amount issued
- Settlement date

The DMU shall apply **dual verification** control in the recording of the security ensuring that:

- One authorized debt officer record the transaction; and
- A second authorized officer verifies the accuracy and completeness of the entry

The DMU shall ensure that the new issue is reflected in the GOT's domestic debt portfolio.

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#### Outputs

The DMU's key outputs from this activity are:

- Updated debt management system records
  - Updated domestic debt register of securities
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## 5.4 Generating Debt Service Schedule

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### Policy

The DMU shall generate and maintain an updated schedule of future debt service obligations arising from newly issued domestic securities.

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### Guidelines

Following the recording of each issuance, the DMU shall generate a debt service schedule which includes the future obligations associated with the security.

The debt service schedule shall specify:

- Total amounts of principal and interest payable
- Principal repayment date
- Interest payment date.

The DMU shall ensure that the debt service schedule is share with the Treasury Division for cash management planning.

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### Outputs

The DMU's key outputs from this activity are:

- Updated debt service schedule
  - Notification of upcoming debt service obligations
-

## 5.5 Reporting of Domestic Securities

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### Policy

The DMU shall regularly publish information on domestic debt operation to enhance transparency, accountability, and investor confidence in the Government securities market.

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### Guidelines

The DMU shall publish periodic information on domestic debt operations on the official MoF website. These reports shall include information on:

- Total outstanding domestic debt
- Share of total domestic securities to total domestic debt
- Redemption profile of government securities
- Issuance volumes during the reporting period

The DMU shall prepare and publish a **quarterly debt statistical bulletin** summarizing domestic debt developments.

The DMU shall ensure that all published information is consistent with records maintained in the official MoF debt management system.

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### Outputs

The DMU's key outputs from this activity are:

- Published quarterly debt statistical bulletin
  - Updated domestic debt information on the MoF website
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## 5.6 Market Communication

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### Policy

The DMU shall publish timely, accurate, and relevant information on domestic government securities through the official MoF website to promote transparency, support investor participation, and facilitate the development of the domestic government securities market.

The DMU shall ensure that the webpage is easy to find, user-friendly, and easily navigable, and updated regularly.

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### Guidelines

The DMU shall ensure that it has a **dedicated webpage** on the official MoF website where information on government borrowing plans, issuance outcomes and the domestic debt portfolio can be published to inform investors, financial institutions, and the public.

The DMU shall publish the following information on its dedicated webpage

- Medium-term debt strategy (MTDS)
- Annual borrowing plan (ABP)
- Issuance calendar
- Auction announcements
- Auction results
- Prospectuses
- List of outstanding domestic securities
- Quarterly Debt statistical bulletin
- Any other investor information

Annually, the DMU shall prepare and publish a **Release Calendar** indicating the dates for publishing key debt management documents over the financial year. This document shall be published one week prior to the start of the financial year.

The DMU shall publish information:

- Annually, when the MTDS and ABP are approved at the start of each financial year
  - Annually, when the issuance calendar is finalized and approved, at the start of each financial year, with quarterly updates if necessary
  - Quarterly, once the debt statistics bulletin is prepared and approved
  - Immediately, once the Prospectus is approved
  - Immediately, once the MoF and NBRT have decided the tenor, value
  - Immediately, once auction results are received from the NRBT
- 

### Outputs

The DMU's key outputs from this activity are:

- Up-to-date, accurate, and investor friendly webpage
  - Publication of comprehensive market information to support government securities issuance
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### Policy

The DMU shall maintain robust internal controls in all domestic debt securities operations to minimize operational risk and to ensure the accuracy, integrity, and transparency of government borrowing operations.

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### Guidelines

The DMU shall adopt and apply the following operational control principles in all domestic debt issuance activities:

#### Segregation of Duties

Where staffing capacity permits, key functions involved in domestic insurance operations shall be segregated to reduce operational risk. These functions include:

- preparation of issuance instructions
- verification of auction results
- recording of the transactions in the debt management system
- reconciliation of settlement proceeds.

Where full segregation is not feasible due to limited staffing, compensating controls such as enhanced supervisory review shall be applied.

#### Dual Verification

All critical operational steps that will be subject to dual verification. Under this control

- one-person prepares or records the transaction and
- a second-person independently verifies the accuracy of the information before final confirmation

This control shall apply in particular to:

- issuance instructions
- auctions results verification
- database entries
- settlement verification

#### Reconciliation

The DMU shall perform regular reconciliation between:

- issuance instructions provided by the NRBT
  - auction results provided by the NRBT
  - domestic debt records maintained in the debt management system
  - settlement information received from the NRBT
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## **Documentation**

The DMU shall maintain complete documentation of domestic issuance operations including:

- issuance instructions
- auction results
- settlement confirmations
- database
- records
- reconciliation statements

These records shall be maintained in accordance with the MoF's document management and record retention policies.

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7.1 Annex 1 – Sample Auction Prospectus

**KINGDOM OF TONGA**

**Prospectus for the Issue of  
Government of Tonga Bond Series No. x 20xx/20xx**

**PUBLIC FINANCE MANAGEMENT ACT**

The Public Finance Management Act, Part V Section 28 (1) and (2), gives the government wide powers to borrow money for budget financing and for various other purposes. Members of the public, whether in Tonga or abroad, who invest in loans raised by the Government of Tonga have their interests fully protected in terms of the Act.

**PROPOSAL**

His Majesty's Government proposes to raise \$xx,xxx,xxx.00 (xx Million Pa'anga Only) by issuing a new Government of Tonga (GoT) Bond. This new bond will have a maturity and interest rate as follows: \$xx,xxx,xxx.00 for x years from dd/mm/yyyy- dd/mm/yyyy at x% rate of interest per annum tax free. Applications for these bonds will be accepted from 9:00am to 4:00pm on xx<sup>th</sup> Month 20xx.

**APPLICATION FORMS**

Application Form GoT1, for the purchase of bonds can be obtained from the Registrar of Securities, National Reserve Bank of Tonga, Nuku'alofa. Applications will be accepted during the stated time by the Registrar of Securities together with a Banker's cheque for the full amount drawn on the National Reserve Bank of Tonga and payable to the Registrar of Securities.

**i. Applications by Firms/Statutory Boards/Organisations**

The full name of the firm/board/organisation must be shown on the face of the form, and the position held by the signatory to the application must be stated beneath the signature bearing the company seal or stamp.

to be payable by the Government in respect of the Bonds issued, such sum will be paid accordingly.

**ii. Completed Application Forms**

Completed application forms in an envelope clearly marked "GoT Bond Series No x. 20xx/20xx Application" must be presented to the Registrar of Securities, National Reserve Bank of Tonga, Nuku'alofa or placed in the designated "GOT Bond" box located at the reception counter at the Reserve Bank premises, Salote Road.

**ALLOTMENT OF BONDS**

In the event of over subscription, the Registrar reserves the right to prorate allotments for banks, statutory boards, commercial and other organisations and allot a lesser amount than applied for and refund the balance to the applicant.

Notifications of the amount allotted will be dispatched on xx<sup>th</sup> Month 20xx.

The Registrar of Securities will advise applicants when the Bond Certificate will be available for collection. Bonds will only be released to the authorised person nominated in the application form.

**DENOMINATIONS OF BONDS**

Bonds will be issued in multiples of \$1,000. The minimum issue will be \$1,000.

**INCOME TAX**

All transactions relating to this bond issue will be exempted from Income Tax.

**INTEREST**

The Bond will bear interest of 3% per annum for Series No x. 20xx/20xx . The interest will be paid annually. If the Bond mature on a weekend day or a public holiday, interest will be paid on the next business working day, however the interest will only be calculated up until the date of maturity of the Bond. All interest will be free of tax.

**TRANSFER OF BONDS**

The transfer is permissible provided that where a holder requires to transfer or sell a bond, Form GoT2 must be completed and forwarded to the Registrar of Securities, National Reserve Bank of Tonga, Nuku'alofa.

**LOST/DESTROYED BONDS**

In the event of a bond being lost or destroyed, the holder must apply for a duplicate by completing Form GoT3 and forwarding it to the Registrar of Securities, National Reserve Bank of Tonga, Nuku'alofa, together with five pa'anga to cover the cost of issuing each duplicate required.

**DEATH OF HOLDER**

If a bondholder dies, and bonds registered in his/her name at the time of his/her death will constitute part of the deceased's estate and will be encashed or transferred by the Registrar of Securities in accordance with instructions received from a court with competent jurisdiction.

### **LEGAL HOLDERS**

The Registrar of Securities, upon being served with any order relating to bonds issued or having the effect of vesting any bonds in any person made by a court of competent jurisdiction within the Kingdom or a judge thereof shall make entries in the Register of Securities necessary to be made for the purpose of carrying the order into effect.

Where, by the final judgement decree, rule or order of a court of competent jurisdiction within the Kingdom, a sum of money is adjudged to be payable by the Government in respect of the Bonds issued, such sum will be paid accordingly.

### **SALE OR PURCHASE OF BONDS BEFORE MATURITY**

The Government of Tonga may operate in the market for buying and selling Government of Tonga Bonds and has indicated that it may purchase or resell any bonds that holders may wish to sell or purchase before maturity at a price to be mutually agreed upon.

### **REDEMPTION OF BONDS**

Government of Tonga Bond Series No x. 20xx/20xx will be due for redemption and payment of the final interest after x years. Holders will be required to produce original Bond Certificates for the redemption of the bonds.

### **FORMS**

All forms relating to the bond issue will be obtainable from the Registrar of Securities, National Reserve Bank of Tonga, Nuku'alofa.

### **ENQUIRIES**

Any queries concerning the bond issue should be addressed to the Registrar of Securities, National Reserve Bank of Tonga, Private Bag No.25, Post Office, Nuku'alofa, Tonga. Telephone (676) 24057, Fax (676) 24201.

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Hon. xxx

**Minister for Finance**

DATE: xx<sup>th</sup> Month 20xx

## 7.2 Annex 2: Outline for Guidelines to Investors to explain Investing in Treasury Bonds

The Debt Management Unit (DMU) and the National Reserve bank of Tonga (NRBT) should provide a guide, published on their respective websites of the basic elements of buying, holding, and selling Treasury bonds. Below is a suggested outline for such a guide.

<b>Introduction</b>	<ul style="list-style-type: none"> <li>Explains simply what Treasury bonds are</li> </ul>
<b>Treasury bonds</b>	<ul style="list-style-type: none"> <li>Explains what purchasing a Treasury bond entitles an investor to receive in terms of interest and principal, and maturity.</li> </ul>
<b>Treasury bond price</b>	<ul style="list-style-type: none"> <li>Explains the value of the Treasury bond and how they are priced.</li> </ul>
<b>Treasury bond yield</b>	<ul style="list-style-type: none"> <li>Explains the actual return that the investor receives.</li> </ul>
<b>Buying treasury bonds</b>	<ul style="list-style-type: none"> <li>Details the main ways investors can buy new (primary) issues of Treasury bonds, including details on: <ul style="list-style-type: none"> <li>Prospectus</li> <li>Competitive and non-competitive bids [IF RELEVANT]</li> <li>Treatment of successful bidders</li> </ul> </li> </ul>
<b>Secondary market transactions</b>	<ul style="list-style-type: none"> <li>Details how investor can buy and sell their Treasury bonds in the secondary market and the process for transfers of ownership.</li> </ul>
<b>Taxation</b>	<ul style="list-style-type: none"> <li>Explains whether interest is payable with or without tax</li> </ul>
<b>Registration</b>	<ul style="list-style-type: none"> <li>Explains to investors how holding of securities are registered and how certificates are issued (paper or dematerialized).</li> </ul>
<b>Useful Contact Details</b>	<ul style="list-style-type: none"> <li>Provides contact details for the DMU and the NRBT, including: <ul style="list-style-type: none"> <li>Address</li> <li>telephone number</li> <li>email</li> <li>website</li> </ul> </li> <li>Indicates which contact is appropriate for: <ul style="list-style-type: none"> <li>General enquiries on future issues (DMU)</li> <li>Enquiries about individual holdings, successful bids, interest payments (NRBT), transferring Treasury bonds</li> <li>Complaints</li> </ul> </li> </ul>

### 7.3 Annex 3: Sample Issuance Instructions

<b>To:</b>	Financial Markets Division National Reserve Bank of Tonga
<b>From:</b>	Debt Management Unit Ministry of Finance
<b>Date:</b>	[Insert Date]
<b>Subject:</b>	Instruction to Conduct Government Securities Auction – [Instrument Type, Date]
The Debt Management Office hereby instructs the National Reserve Bank of Tonga, as Fiscal Agent for Government of Tonga’s securities issuance, to conduct an auction of Government securities under the terms outlined below.	
<b>Issuer:</b>	Government of Tonga
<b>Authority:</b>	[Insert applicable law]
<b>Issue Date:</b>	[Insert relevant date]
<b>Settlement Date:</b>	[Insert relevant date]
<b>ISIN:</b>	[Insert relevant details]
<b>Offer Volume:</b>	[Insert relevant details]
<b>Minimum Bid Amount:</b>	[Insert relevant details]
<b>Tenor:</b>	[Insert relevant details]
<b>Price:</b>	[Insert relevant details]
<b>Maturity:</b>	[Insert relevant date]
<b>Interest Rate:</b>	[Insert relevant rate]
<b>Interest Payment:</b>	[Insert payment dates and interest rate]
<b>Taxation:</b>	[NON-TAXABLE]
<b>Issuance Mechanism:</b>	[DESCRIBE CHANNEL THROUGH WHICH MECHANISM WORKS: e.g., Investors may subscribe using their designated brokers through the CSD to purchase these Bonds]
<b>Issuance Method:</b>	[DESCRIBE ISSUANCE METHOD: e.g., Competitive and Non-Competitive bidding by auction.]
<b>Non-Competitive Amount:</b>	[INSERT AMOUNT]
<b>Business day:</b>	In the event that a payment day occurs on a day other than a business day, such payments will be made on the next business day.
<b>Paying Agent:</b>	National Reserve Bank of Tonga

This issuance:

- Is consistent with the **Annual Borrowing Plan for FY [Year]**
- Is aligned with the **published issuance calendar for [Month/Quarter]**
- Supports the Government's **cash flow requirements**
- Is consistent with the **Medium-Term Debt Management Strategy (MTDS)** objectives, including maturity structure and cost-risk considerations

This issuance has been approved in accordance with the Ministry of Finance internal approval procedures.

The Central Bank is requested to:

1. Announce the auction in accordance with standard market notification procedures
2. Conduct the auction using established auction rules
3. Submit auction results to the Debt Management Office immediately following completion
4. Allocate securities in accordance with auction rules and government approval
5. Arrange settlement through the designated securities settlement system
6. Confirm settlement completion to the Debt Management Office

Following the auction, the Central Bank is requested to provide:

- Total bids received
- Bid-to-cover ratio
- Total amount allocated
- Distribution of bidders (if available)
- Settlement confirmation

The Central Bank is authorized to:

- Publish auction results
- Notify market participants
- Issue standard auction result announcement

in accordance with established communication protocols

In the event of:

- Market disruption
- Insufficient demand
- Operational issues

The Central Bank should immediately notify the Debt Management Office for further instructions.

This instruction is issued under the authority delegated to the Debt Management Office in accordance with the [NISERT RELEVANT ACT: Public Debt Act / Financial Administration Act / Relevant Legislation].

#### 7.4 Annex 4: Sample Auction Results as to be prepared by the NRBT

<b>RESULT OF TREASURY BOND AUCTION</b>	
Applications were opened on [INSERT DATE] for [INSERT AMOUNT] of Government of Tonga Treasury Bonds.	
<b>ISIN:</b>	[INSERT DETAILS]
<b>Issue Date:</b>	[INSERT DETAILS]
<b>Maturity Date:</b>	[INSERT DETAILS]
<b>Offer Amount:</b>	[INSERT DETAILS]
<b>Amount Applied For:</b>	[INSERT DETAILS]
<b>Amount Allotted:</b>	[INSERT DETAILS]
<b>Coupon:</b>	[INSERT DETAILS]
<b>Price:</b>	[INSERT DETAILS]
<b>Average Price:</b>	[IF RELEVANT, ENTER APPROPRIATE DETAILS]
<b>Average Yield</b>	[IF RELEVANT, ENTER APPROPRIATE DETAILS]
<b>Full Allotment (price)</b>	[IF RELEVANT, ENTER APPROPRIATE DETAILS]
<b>Full Allotment (price)</b>	[IF RELEVANT, ENTER APPROPRIATE DETAILS]
<b>Percentage Partial Bid Allotment</b>	[INSERT DETAILS]
<b>Partial Bid Allotment (price)</b>	[IF RELEVANT, ENTER APPROPRIATE DETAILS]
<b>Partial Bid Allotment (price)</b>	[IF RELEVANT, ENTER APPROPRIATE DETAILS]
Total nominal amount of Government of Tonga Treasury bonds outstanding will be [INSERT AMOUNT] on settlement date [INSERT DATE].	
The next auction of Government of Tonga Treasury bonds is scheduled for [INSERT DATE].	