



MINISTRY OF
FINANCE
REPUBLIC OF GHANA

FAQs

Issue 2

Monday
12th December 2022

Domestic Debt Exchange



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Eligibility for the exchange

1. Who is eligible to tender in a repo transaction?

Are sole proprietors who have securities in the name of their business eligible?

What about Participants in a pooled pension fund and pooled accounts?

Regarding Investment clubs, savings clubs, will individuals with custodial arrangement with banks be eligible?

It is the legal holder of record that is eligible to participate. If the legal holder of record is a natural person(s) then that person is not an Eligible Holder and cannot participate. If you are unsure as to whether the legal holder of record of the holdings are held directly by you as a natural person or through an entity you should consult the relevant legal and account documentation and contact your custodian or broker through which execute transactions. You should also review the relevant documentation (such as in a repo contract) to determine whether you are permitted to participate in the Invitation.

2. Are trades and other transactions permitted on the current bonds?

Can an individual buy bonds from institutions before December 23?

If there are any transactions between the individual and an institutions, will the bond become eligible because of this change in ownership (i.e. either before or after December 23)?

Can repos be entered into now?

Unless and until an Eligible Holder provides instructions to exchange their bonds, the Eligible Bonds are freely transferable and tradeable as they were before, whether during the pendency of the Invitation or after settlement of the Invitation. If an Eligible Holder decides to participate in the Invitation and upon giving instructions with respect to any Eligible Bonds, an Eligible Holder will agree that its Eligible Bonds will be blocked from transfer and no trading in the Eligible Bonds is permitted.

Questions Relating to Eligible Holders that do not Participate

3. What are the consequences if an eligible/qualifying institution fails to participate?

Will Ghana Fixed Income Market (GFIM) come out with a statement that some securities cannot trade?

Will the old bonds still trade on the secondary market after the debt exchange?

For those not participating in the domestic debt exchange, they will continue to hold the non-tendered eligible bonds – the “old” bonds. However, the Government reserves the right to ensure that “old” bonds do not benefit from their non-participation in the domestic debt exchange, including through additional regulatory measures.



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Menu of new bonds

4. Will the new bonds have a rating above default?

After the successful completion of the exchange, the new bonds are expected to benefit from a rating above default. The terms of the new bonds have been calibrated to ensure that a single exchange, if successful, associated with the treatment of external debt and fiscal reforms, is sufficient to put the public debt back on sustainable level.

5. What coupon will be on the new bonds? What pricing will be placed on the new bonds? Could the bonds be structured in a manner to encourage secondary trades (i.e. to aid price discovery)?

The annual coupon on these new bonds will be set at 0% in 2023, 5% in 2024 and 10% from 2025 to the maturity of the bonds. Coupon payments will be semi-annual, and paid on 30th June and 31st December of each year, commencing on 30th June 2024. The 4 new bonds will serve as benchmark bonds, with a short-term bond (5-year bond), intermediate bond (7-year), medium-term bond (10-year) and long-term bond (15-year). They will be tradable and exchangeable on the secondary market after settlement, thus allowing for price discovery as soon as volumes of trading become significant.

Rationale for the domestic debt exchange

6. What is the recovery going to look like for the financial industry?

Once the domestic debt exchange is successfully completed, and as progress is made on securing international financial support, the Government will benefit from macroeconomic stability, larger fiscal space, and new affordable debt service obligations. The associated risks and discount factors are expected to then go back to reasonable levels, close to one-digit territory. As such, the new bonds are expected to ensure the maximum recovery possible for the domestic financial sector under our very constrained fiscal and debt situation.

Practicalities

7. How will Banks who have failed to set up trades deal with trades booked but not executed in time for the cutoff date of December 19? Can a person participate after the end of the offer period?

Eligible Holders seeking to participate must ensure Offer or Exchange Instructions are submitted and received by the CSD before the Expiration Date.



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Instruction Form

8. What should be included on the Exchange Form by the participants? Is every eligible institution required to personally sign the form or can the Bank/ Depository Participants sign the Form on their client's behalf?

Submission of the proposed Exchange Form by Eligible Holders to CSD Direct Participants (the Depository Participants) is not compulsory. Eligible Holders (not a CSD Direct Participant) can participate in the Invitation to Exchange by sending an exchange instruction to their respective CSD Direct Participant (the Depository Participant), in the manner and via the customary channels in place and agreed between them

Participants (the Depository Participants) are required to forward to the CSD the collated file containing the information on each Offer or Exchange Instruction received from each holder of Eligible Bonds that expressed interest to participate in the Invitation to Exchange on or before 4:00 p.m. (GMT) using the sFTP folder; and

- once the collated file is received by the CSD from a CSD Direct Participant (the Depository Participant), the CSD will proceed to block the securities accounts on the instructed amounts of the Eligible Holders indicated in such collated file as having instructed to exchange. Those instructed amounts on the relevant securities accounts will be blocked until the earliest of the Settlement Date and the termination of the Invitation to Exchange. The blocking will be processed no later than at the end of day on the date the information is received by the CSD from such CSD Direct Participant (the Depository Participant).

CSD Depository Participant sending Instructions to CSD

9. How does the CSD Direct Participant forward the Instruction to Offer or Exchange (submitted to them by the Eligible Holder)?

The Procedures for CSD Participants (the Depository Participants) to participate in the Invitation to Exchange are as follows:

- once an Offer or Exchange Instruction is received by a CSD Direct Participant from a holder of Eligible Bonds, such CSD Direct Participant is required to collate the information in such Offer or Exchange Instruction in the form and file format provided to them by the CSD;
- during the duration of the Invitation to Exchange, on each business day, CSD Direct

Questions related to interest

10. What happens to accrued interest before December 23 (Exchange Offer Settlement Date)?

If you are an Eligible Holder holding a series of Eligible Bonds in respect of which an interest payment date will occur in the period after your Offer or Exchange Instruction is submitted, but before the Settlement Date, you will receive payment of accrued and unpaid interest net of any applicable withholding taxes on the usual interest payment date. However, if you are an Eligible Holder holding a series of Eligible Bonds in respect of which an interest payment date will occur both after your Offer or Exchange Instruction is submitted and after the Settlement Date of 23rd December 2022, you will not receive any accrued and unpaid interest on such series of Eligible Bonds and accordingly by submitting



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such Offer or Exchange Instruction, you waive any rights to receive such accrued and unpaid interest.

Questions related to partial instructions

11. Can an eligible institution elect which Eligible Bonds and which portion of a bond it wishes to use in participating?

The Government strongly discourages Eligible Holders from making partial Offers and the Government shall in its sole discretion determine whether to accept or reject any partial Offers (i.e., Offers made by an Eligible Holder in respect of less than their/its entire holding of Eligible Bonds). In fact, by tendering their Eligible Bonds, Eligible Holders represent and warrant that such Eligible Bonds constitute all the Eligible Bonds beneficially owned by them.

THIS Q AND A IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT AN INVITATION OR A SOLICITATION OF TENDERS, OFFERS TO EXCHANGE OR AN EXCHANGE TO ANY HOLDERS OF ELIGIBLE BONDS. THE INVITATION TO EXCHANGE TO HOLDERS OF ELIGIBLE BONDS IS ONLY BEING MADE PURSUANT TO THE EXCHANGE MEMORANDUM. HOLDERS OF ELIGIBLE BONDS SHOULD READ THE EXCHANGE MEMORANDUM CAREFULLY AND ITS ENTIRETY PRIOR TO MAKING ANY DECISION WITH RESPECT TO THEIR ELIGIBLE BONDS OR TENDERING THEIR ELIGIBLE BONDS BECAUSE IT CONTAINS IMPORTANT INFORMATION.