

2019-04-12

OBJECTS AND REASONS

This Bill would amend the *Debt Holder (Approval of Debt Restructuring) Act*, (Act 2018-24)

- (a) to provide for instruments issued to the Central Bank of Barbados;
- (b) to provide for more equitable treatment for estate and legacy accounts and individuals who hold debt issued by state owned enterprises;
- (c) to authorise the Government of Barbados to prepay all or part of the principal and interest accrued on a specified debt instrument; and
- (d) for related matters.

Arrangement of Sections

1. Short title
2. Amendment of section 2 of Act 2018-24
3. Insertion of section 7 into Act 2018-24
4. Repeal and replacement of the *Second Schedule* of Act 2018-24

SCHEDULE

BARBADOS

A Bill entitled

An Act to amend the *Debt Holder (Approval of Debt Restructuring) Act*,
(Act 2018-24)

- (a) to make provision for instruments issued to the Central Bank of Barbados;
- (b) to provide for more equitable treatment for estate and legacy accounts and individuals who hold debt issued by state owned enterprises;

- (c) to authorise the Government of Barbados to prepay all or part of the principal and interest accrued on a specified debt instrument; and
- (d) for related matters.

ENACTED by the Parliament of Barbados as follows:

Short title

1. This Act may be cited as the *Debt Holder (Approval of Debt Restructuring) (Amendment) Act, 2019*.

Amendment of section 2 of Act 2018-24

2. *Section 2 of the Debt Holder (Approval of Debt Restructuring) Act, 2018 (Act 2018-24), in this Act referred to as the principal Act, is amended by inserting in the appropriate alphabetical order the following definitions:*

“BDS” means Barbados dollars;

“Central Bank of Barbados” means the Central Bank of Barbados established by section 3 of the *Central Bank of Barbados Act*, Cap. 323C;”.

Insertion of section 7 into Act 2018-24

3. *The principal Act is amended by inserting immediately after section 6 the following section:*

“Prepayment of principal

7. The Government may, with not less than 15 days prior written notice to the instrument holder, prepay

- (a) part of; or

(b) all of,
the principal and accrued but unpaid interest up to the date of such
prepayment on a specified debt instrument.”.

Repeal and replacement of the *Second Schedule* of Act 2018-24

4. *The principal Act is amended by deleting the Second Schedule and substituting the Schedule as set out in the Schedule to this Act.*

SCHEDULE

(Section 4)

"SECOND SCHEDULE

(Section 2)

Part I

Debt Restructuring Proposals for Individuals**Introduction**

On 7 September, 2018 the Government of Barbados (GoB) announced the launch of an exchange offer open to holders of Barbados dollar-denominated debt issued by the GoB and certain state-owned enterprises (SOEs), as part of its Comprehensive Debt Restructuring. The restructuring is a central pillar of the economic reform and rehabilitation programme that is being supported by the International Monetary Fund through a four-year Extended Fund Facility.

This document sets out the terms of the exchange offer that apply to **Individuals** holding Treasury Bills, Treasury Notes and Debentures issued by the GoB. Savings Bonds are excluded from this exchange offer as they do not fall within the scope of the Comprehensive Debt Restructuring.

All holders of Treasury Bills, Treasury Notes, Debentures, Loans and Bonds owed by the GoB and Loans and Bonds owed by SOEs and other entities that receive transfers from the GoB's budget ("**Affected Debt**") will receive letters during the course of the week commencing 10 September, 2018 providing further details of the exchange offer, as well as instructions for participating in the exchange offer. The relevant acceptance forms must be submitted by holders of the Affected Debt no later than **5:00 pm, on Monday 29 October, 2018**. It is expected that the new debt instruments ("**Exchange Instruments**") will be issued to participating holders by the end of October, 2018.

*Schedule - (Cont'd)***Pensioners**

| | |
|--------------------------------|---|
| Definition: of "Pensioners" | All individuals who are 60 years and above AND are receiving pension benefits as of 1 September, 2018 |
| Affected Debt: | Holdings in ALL outstanding series of Treasury Bills, Treasury Notes and Debentures issued by the GoB and Bonds issued by Eligible SOEs |
| Exchange Instrument: | Affected Debt to be exchanged for: <ul style="list-style-type: none"> • Up to BDS \$50,000.00 in cash • Up to BDS \$200,000.00 in Series F Bonds • 11 Series B amortising strips issued by the GoB with maturities of 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, and 15 years; combined face value of strips will equal that of Affected Debt exchanged, plus accrued interest (see below) |
| Accrued Interest: | Capitalised through to 30 September, 2018 and added to principal |
| Interest Rate: | <p>Series B:</p> <ul style="list-style-type: none"> • 1.0% per annum for first 3 years • 2.5% per annum for year 4 • 3.75% to maturity <p>Series F: None</p> |
| Principal Repayment: | <p>Series B: The principal of each strip will be repaid in 4 equal quarterly instalments commencing one year prior to the maturity date of that strip</p> <p>Series F: Principal will be repaid in 42 equal monthly instalments of principal and interest after a six-month grace period</p> |

Schedule - (Cont'd)

Interest Payment: **Series B:** Quarterly

Series B:

| | | |
|------------------|----------------|-----------------|
| Allocation of | 5-Year: 7.49% | 11-Year: 9.37% |
| Aggregate | 6-Year: 7.78% | 12-Year: 9.72% |
| Principal Amount | 7-Year: 8.07% | 13-Year: 10.10% |
| Amongst Strips: | 8-Year: 8.38% | 14-Year: 10.48% |
| | 9-Year: 8.70% | 15-Year: 10.88% |
| | 10-Year: 9.03% | |

Individuals other than Pensioners

Definition: of "Individuals other than Pensioners" 1) All individuals who are NOT of a pensionable age, and 2) Individuals who are 60 years and above but are NOT receiving pension benefits as of 1 September, 2018

Affected Debt: Holdings in ALL outstanding series of Treasury Bills, Notes and Debentures issued by the GoB and Bonds issued by Eligible SOEs

Exchange Instrument: Affected Debt to be exchanged for 11 Series B amortising strips issued by the GoB with maturities of 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15 years; combined face value of strips will equal that of Affected Debt exchanged, plus accrued interest (see below)

Accrued Interest: Capitalised through to 30 September, 2018 and added to principal

Interest Rate:

- 1.0% per annum for first 3 years
- 2.5% per annum for year 4
- 3.75% to maturity

Interest Payment: Quarterly

Principal Repayment: The principal of each strip will be repaid in 4 equal quarterly instalments commencing one year prior to the maturity date of that strip

Schedule - (Cont'd)

| | | |
|------------------|----------------|-----------------|
| Allocation of | 5-Year: 7.49% | 11-Year: 9.37% |
| Aggregate | 6-Year: 7.78% | 12-Year: 9.72% |
| Principal Amount | 7-Year: 8.07% | 13-Year: 10.10% |
| Amongst Strips: | 8-Year: 8.38% | 14-Year: 10.48% |
| | 9-Year: 8.70% | 15-Year: 10.88% |
| | 10-Year: 9.03% | |

Natural Disaster Clause

The Exchange Instruments to be issued to individuals as part of the GoB's exchange offer will include a clause that would offer both creditors and the GoB some protection against future debt distress caused by a major natural disaster.

This "natural disaster" clause would allow for the capitalisation of interest and the deferral of scheduled amortisations falling due over a two-year period following the occurrence of a major natural disaster. The trigger for a natural disaster "event" would be a payout to the GoB above a predetermined threshold by the Caribbean Catastrophe Risk Insurance Facility (CCRIF), under the GoB's catastrophe insurance policy.

Full details will be provided in the offer letters to holders of the Affected Debt.

Schedule - (Cont'd)

Part II

Debt Restructuring Proposals for Institutions

Introduction

On 7 September, 2018 the Government of Barbados (GoB) announced the launch of an exchange offer open to holders of Barbados dollar-denominated debt issued by the GoB and certain state-owned enterprises (SOEs), as part of its Comprehensive Debt Restructuring. The restructuring is a central pillar of the economic reform and rehabilitation programme that is being supported by the International Monetary Fund through a four-year Extended Fund Facility.

This document summarises the terms of the exchange offer that apply to **Institutions** holding Treasury Bills, Treasury Notes, Debentures, Loans and Bonds issued or owed by the GoB as well as Loans and Bonds issued or owed by SOEs and entities that receive transfers from the GoB's budget ("**Eligible SOEs**").

All holders of Treasury Bills, Treasury Notes, Debentures, Loans and Bonds owed by the GoB and Loans and Bonds owed by Eligible SOEs ("**Affected Debt**") will receive letters during the course of the week commencing 10 September, 2018 providing further details of the exchange offer, as well as instructions for participating in the exchange offer. The relevant acceptance forms must be submitted by holders of the Affected Debt no later than **5:00 pm, on Monday 29 October, 2018**. It is expected that the new debt instruments ("**Exchange Instruments**") will be issued to participating holders by the end of October, 2018.

Description of Exchange Instruments

Liquidity Reserve Fund Treasury Bills

Structure: 90-day Treasury Bill issued by the GoB

Interest Rate:

- 0.5% per annum for first 10 years
- Market rates thereafter

Natural Disaster Clause: No

*Schedule - (Cont'd)***Monetary Policy Treasury Bills**

Structure: 90-day Treasury Bill issued by the GoB
Perpetual Rolling

Interest Rate: • 3.5% per annum

Natural Disaster Clause: No

Series B

Structure: 11 Series B amortising strips issued by the GoB with maturities of 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15 years

Interest Rate: • 1.0% per annum for first 3 years
• 2.5% per annum for year 4
• 3.75% to maturity

Interest Payment: Quarterly

Principal Repayment: The principal of each strip will be repaid in 4 equal quarterly instalments commencing one year prior to the maturity date of that strip

| | | |
|------------------|----------------|-----------------|
| Allocation of | 5-Year: 7.49% | 11-Year: 9.37% |
| Aggregate | 6-Year: 7.78% | 12-Year: 9.72% |
| Principal Amount | 7-Year: 8.07% | 13-Year: 10.10% |
| Amongst Strips: | 8-Year: 8.38% | 14-Year: 10.48% |
| | 9-Year: 8.70% | 15-Year: 10.88% |
| | 10-Year: 9.03% | |

Natural Disaster Clause: Yes

*Schedule - (Cont'd)***Series C**

Structure: 11 Series C amortising strips issued by the GoB with maturities of 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15 years

Interest Rate:

- 1.0% per annum for first 3 years
- 2.5% per annum for year 4
- 3.75% to maturity

Interest Payment: Quarterly

Principal Repayment: The principal of each strip will be repaid in 4 equal quarterly instalments commencing one year prior to the maturity date of that strip

| | | |
|---|----------------|-----------------|
| Allocation of Aggregate Principal Amount Amongst Strips: | 5-Year: 7.49% | 11-Year: 9.37% |
| | 6-Year: 7.78% | 12-Year: 9.72% |
| | 7-Year: 8.07% | 13-Year: 10.10% |
| | 8-Year: 8.38% | 14-Year: 10.48% |
| | 9-Year: 8.70% | 15-Year: 10.88% |
| | 10-Year: 9.03% | |

Natural Disaster Clause: No

Series D

Structure: 20 Series D amortising strips issued by the GoB with maturities in each of years 16-35

Interest Rate:

- 1.5% per annum for first 5 years
- 4.25% per annum for years 6-10
- 6.0% per annum for years 11-15
- 7.5% per annum until maturity

Schedule - (Cont'd)

| | |
|---------------------------------|---|
| Interest Payment: | Quarterly |
| Principal Repayment: | The principal of each strip will be repaid in 4 equal quarterly instalments commencing one year prior to the maturity date of that strip |
| Principal Allocation Per Strip: | 5% of aggregate principal per strip |
| Natural Disaster Clause: | Yes |
| Series E | |
| Final Maturity: | 30 September, 2043 |
| Face Value Reduction: | 37.5% |
| Interest Rate: | <ul style="list-style-type: none"> • Issuance through year 3 4% • Years 4-Maturity 8% |
| Interest Payment: | Monthly, beginning 30 November, 2018 |
| Interest Accrual Begins: | 30 September, 2018 |
| Principal Repayment: | Principal will be repaid in monthly level instalments of principal and interest which will begin on 31 October, 2023 after a 5 year grace period on principal |
| Natural Disaster Clause: | Yes |

*Schedule - (Cont'd)***Series F**

| | |
|--------------------------|---|
| Final Maturity: | 30 September, 2022 |
| Interest: | None |
| Principal Repayment: | Principal will be repaid in 42 equal monthly instalments of principal and interest after a six-month grace period |
| Natural Disaster Clause: | Yes |

Series G

| | |
|---|---|
| Final Maturity: | Existing Instruments to be exchanged for 35 Series G amortising strips with maturities of 16-50 years |
| Interest Rate: | <ul style="list-style-type: none"> • Issuance through year 15 4.0% • Years 16-20 6.0% • Years 21-25 7.5% • Years 26-Maturity 8.0% |
| Interest Capitalization: | 100% for first 5 years |
| Interest Payment: | Quarterly, with first cash payment on 31 October, 2023 |
| Principal Repayment: | Each of the 35 strips will be repaid in 4 equal quarterly instalments in the final year prior to maturity commencing 31 October, 2033 with the exception of the final strip, which will be repaid in 3 instalments, with a final payment on 31 July, 2068 |
| Allocation of Aggregate Principal Amount Amongst Strips: | Equal amounts |
| Natural Disaster Clause: | Yes |

*Schedule - (Cont'd)***Series H**

| | |
|---|---|
| Term to Maturity: | 5 years 10 years 15 years 20 years 25 years |
| Allocation of Aggregate Principal Amount: | Each Bond will be issued in the aggregate amount of BDS \$82,880,000.00 |
| Interest Payment: | Quarterly, beginning December, 2018 |
| Principal Repayment: | Bullet Structure Perpetual Rolling |
| Interest Rate: | <ul style="list-style-type: none"> • 5 year Bond 6.0% • 10 year Bond 6.625% • 15 year Bond 7.0% • 20 year Bond 7.75% • 25 year Bond 8.0% |
| Natural Disaster Clause: | Yes |

Natural Disaster Clause

The Exchange Instruments to be issued to institutions as part of the GoB's exchange offer as Series B, D, E, F, G and H instruments will include a clause that would offer both creditors and the GoB some protection against future debt distress caused by a major natural disaster.

This "natural disaster" clause would allow for the capitalisation of interest and the deferral of scheduled amortisations falling due over a two-year period following the occurrence of a major natural disaster. The trigger for a natural disaster "event" would be a payout to the GoB above a predetermined threshold by the Caribbean Catastrophe Risk Insurance Facility (CCRIF), under the GoB's catastrophe insurance policy.

Full details will be provided in the offer letters to holders of the Affected Debt.

*Schedule - (Cont'd)***Eligibility****Banks**

Liquidity Reserve Fund Treasury Bills: 15% of Treasury Bills, Treasury Notes and Debentures held as part of banks' reserve requirements as of 30 September, 2018

Series B: 85% of Treasury Bills, Treasury Notes and Debentures held as part of banks' reserve requirements as of 30 September, 2018

Series D: All other Loans and Bonds owed by the GoB and Eligible SOEs

Past Due and Accrued Interest: Past due and accrued interest through to 30 September, 2018 to be capitalised and added to principal (purchase price of Treasury Bills will be basis for calculation of accrued interest)

Non-Eligible SOEs: Government guarantees to be lifted

Central Bank of Barbados

Monetary Policy Treasury Bills: BDS \$207,220,000.00 of Treasury Bills held to facilitate monetary policy

Series H: BDS \$414,440,000.00 of Treasury Notes and Debentures

Non-Eligible SOEs: Government guarantees to be lifted

Life Insurers

Series B: 15% of Treasury Notes and Debentures

Series D: 85% of Treasury Notes and Debentures and all other Loans and Bonds owed by the GoB and Eligible SOEs

Past Due and Accrued Interest: Past due and accrued interest through to 30 September, 2018 to be capitalised and added to principal

Non-Eligible SOEs: Government guarantees to be lifted

*Schedule - (Cont'd)***General Insurers**

| | |
|-----------------------------------|--|
| Series C: | 100% of Treasury Bills, Treasury Notes, and Debentures |
| Series D: | All other Loans and Bonds owed by the GoB and Eligible SOEs |
| Past Due and Accrued Interest: | Past due and accrued interest through to 30 September, 2018 to be capitalised and added to principal |
| Non-Eligible SOEs: | Government guarantees to be lifted |

Other Institutions: Group 1

| | |
|--|--|
| Definition: of "Other Institutions" | Charities, churches, co-operatives, credit unions, trust companies and estates and legacies |
| Series B: | All Treasury Bills, Treasury Notes, Debentures and Bonds issued by Eligible SOEs |
| Past Due and Accrued Interest: | Past due and accrued interest through to 30 September, 2018 to be capitalised and added to principal |

Other Institutions: Group 2

| | |
|--|--|
| Definition: of "Other Institutions" | All institutions that are not banks, life or general insurers or classified under Other Institutions Group 1 |
| Series B: | All Treasury Bills |
| Series D: | All Treasury Notes, Debentures, Loans and Bonds owed by the GoB and Eligible SOEs |
| Past Due and Accrued Interest: | Past due and accrued interest through to 30 September, 2018 to be capitalised and added to principal |

Schedule - (Concl'd)

Eligibility

National Insurance Scheme (Series E), Eligible Arrears Holders (Series F) and Sagicor Group (Series G)

SOE Classification

| | |
|----------------------|---|
| Eligible SOEs | Barbados Conference Services Limited |
| | Barbados Water Authority |
| | Barbados Tourism Authority |
| | Barbados Transport Board |
| | Barbados Industrial Development Corporation |
| | Queen Elizabeth Hospital |
| | Southern Meats |
| | Caribbean Broadcasting Corporation |
| | New Life Investment Corporation |
| | National Housing Corporation |
| | University of West Indies |

NOTE: Bullet Bond issued by Needham's Point (Non-Eligible SOEs) maturing in 2021 to be re-profiled on bespoke terms or exchanged for Series D instruments if no bespoke solution is agreed with creditors by expiry of the exchange offer".

Read three times and passed the House of Assembly this
day of _____, 2019.

Speaker

Read three times and passed the Senate this _____ day of
, 2019.

President