



Royal Government of Bhutan Bond Offer

The Royal Government of Bhutan (RGoB) is offering a 3-year bond of Nu. 3,000 million at an annual coupon rate of 6.5% for public subscription. The details of this offer are explained in the following paragraphs.

1. Legal Authority

The Public Finance Act 2007 and amendment thereof provides the Government the authority to raise loans, through the following sections in the act.

Section 15: The Minister of Finance shall have the powers necessary to fulfil his responsibilities under this Act. Such powers shall include: -

- (a) Approval of borrowings and issuance of public securities subject to concurrence of the Lhengye Zhungtshog;

...

Section 125: The Minister of Finance may raise a loan from any person, organization, or Government, either within or outside Bhutan.

Section 126: The Minister of Finance may borrow money for the following purposes only:

- (a) To finance budget deficits;
- (b) To refinance maturing debt or a loan paid before the redemption date;
- (c) To maintain credit balances in the bank accounts and on-lending to state enterprise and other legal entities;
- (d) Or any other purpose approved by the Lhengye Zhungtshog.

Section 127: The authority of the Minister of Finance to raise loans under Section 125 shall include the authority to borrow money by way of the issue of public securities such as bills, **bonds** or commercial paper.

The primary issuance of Government Bond is governed by “Rules and Regulation for Issuance of Government Bond 2020”



2. Primary issuance administration

The Royal Monetary Authority (RMA), as the fiscal agent of the Government, administers and manages the primary issuance of the Government Bond.

3. Terms of the Issue

Summary of the issuance terms are as follows:

Series	:RGoB001
Issue Amount	: Nu. 3,000 million
Tenure	: 3 Years
Face Value	: Nu. 1,000
Coupon/Interest Rate	: 6.5% p.a
Minimum Subscription Amount	: Nu. 10,000 (10 units)
Multiples	: 1,000
Maturity Date	: 26 September 2023
Coupon Payment frequency	: 2 times in a year(half-yearly) ¹
First Coupon Payment Date	: 26 March 2021
Day count convention	: 30/360
Opening Date	: 7 September 2020
Closing Date and Time	: 22 September 2020 (12 noon)
Allotment Date	: 25 September 2020
Allotment Method	: pro-rata in case of oversubscription
Settlement Date	: 26 September 2020
Tax on coupon/interest	: Coupon/interest is non-taxable income for PIT purpose

4. Eligible Investors

Eligible investors for the Government bond are the following:

- Bhutanese citizens; and
- Firms, companies, corporate bodies, institutions, trusts and NGOs incorporated/registered under the existing laws of the Kingdom of Bhutan.

¹For example, in this issue for the first year of the bond tenor, the 1st coupon payment would be on 26th March, 2021 and 2nd payment would be 26th September, 2021.



5. Application for subscription

The applicant must fill in the subscription application form (available on RMA and MoF's websites) and submit it in a sealed envelope or email the scanned copy of the same along with evidence of subscription deposit to the following officials:

Name	Email ID
Tshering Dema, Director, Department of Banking, RMA	tdema@rma.org.bt
Dechen Yangzom, Chief Accounts Officer, Department of Banking, RMA	dechenyangzom@rma.org.bt

6. Deposit of Subscription money

Along with the subscription application form, the applicant must deposit the full value of subscription amount into any of the following RGOB Bond Depository Account maintained with the banks:

Bank	Account Name	Account no
BOBL	RGOB Bond Depository Account	202734589
BNBL		0000069846001
BDBL		201800004101
DPNBL		110210022986
Tbank Ltd		77713044207001

The applicant may deposit the subscription amount to the RGOB Bond Depository account using one of the following modes of payment:

- i. Mobile banking application (MBoB, MPay etc.,)
- ii. Internet banking or issue credit and debit advice to the banks (via. email)
- iii. Deposit in cash or cheque to the bank directly

7. Allotment

If the subscription applied for is less than or equal to the issue amount, each applicant will receive allocation in full. However, in case of oversubscription, allotment will be on a pro-rata basis.

8. Settlement

The settlement will be done on the next day after the allotment date, and the proceeds of the bond subscription will be transferred to the Government from the RGOB Bond depository accounts. The unallocated amount will be refunded within three working days after the settlement date.



9. Coupon Payment and Redemption

Ministry of Finance (MoF) will pay coupon on a half yearly basis (on 26 March and 26 September) into the bank account that the bondholder has registered for receiving the payment.

On maturity (26 September 2023), the principal amount and final coupon will be paid.

If the payment date falls on a weekend, or a public holiday, the payment will be made (without an additional interest) on the next business day.

10. Taxation

Taxation on interest income as per the Income Tax Act of Kingdom of Bhutan 2001 is as follows:

BIT and CIT: The interest income from Government Bond is taxable income for the BIT and CIT paying entities. Thus, except for those entities under a tax holiday, the half-yearly coupons will be paid net of 5% TDS.

PIT: Interest income from Government Bond is not a taxable income for PIT purposes. Thus, half-yearly coupon will be paid in full to individual investors.

11. Bond Certificate

The Government will not issue physical bond certificate. The records of investor's holding will be maintained in "dematerialized", or "book-entry" form.

12. Listing

This Bond will be listed with the Royal Securities Exchange of Bhutan Limited (RSEBL) to facilitate secondary market transactions. The transactions in the secondary market would be governed by RSEBL's *Rules Governing the Official Listing of Securities and Rules of the Exchange*.

13. Grievance redressal

Any grievances pertaining to this issue should be expressed in writing to the following official at RMA and MoF:

1. Director, Department of Banking, RMA (Email ID: tdema@rma.org.bt)
2. Director General, Department of Macroeconomic Affairs, Ministry of Finance (Email ID: lekzangd@mof.gov.bt)



དངུལ་རྩིས་ལྷན་ཁག།
ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



14. Contacts

Those who need clarification regarding this issuance may email or call the following officials:

Name	Email ID	Contact No.
Dechen Yangzom, Chief Accounts Officer, Department of Banking, RMA	dechenyangzom@rma.org.bt	17880440
Thinley Wangmo, Asst. Accounts Officer, Department of Banking, RMA	thinlayw@rma.org.bt	17746099
Tshewang Dorji, Program Officer, Department of Macroeconomic Affairs, MoF	tshewangd@mof.gov.bt	17735215

Director General
Department of Macroeconomic Affairs
Ministry of Finance