



# FIXED INTEREST SECURITIES

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## JMP FAQs

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## Questions regarding Fixed Interest Securities:

### Q.Can JMP Securities Limited help me buy securities other than ordinary shares listed on the PNGX?

- A. Yes, JMP Securities Limited can assist Papua New Guinean investors to buy:
- I. Government Inscribed Stock
  - II. Government Treasury Bills
  - III. Corporate Bonds

These options should be discussed with one of our advisors.

#### Government Treasury Bills and Inscribed Stock

In essence, the Bank of Papua New Guinea (BPNG) offers three types of investment securities to the public, banks and other financial institutions.

These are:

- ☐ Government Inscribed Stock
- ☐ Government Treasury Bills
- ☐ Central Bank Bills

#### Government Inscribed Stock (GIS):

Government Inscribed Stock is a loan to the Government that earns interest semi-annually and is repayable on the maturity date. Inscribed Stock is traded at a price unlike the Treasury bill, which is traded at a yield.

Inscribed Stock is a medium-to-long-term debt instrument or a kina-denominated bond with maturities of more than one year (e.g., 3, 6, 10 & 17 years).

“Inscribed” means that certificates are not issued to stockholders, but their names are inscribed in a record book. When ownership is transferred, certain formalities must be completed before one name is erased and another put in its place.

GIS is available for purchase at BPNG through a closed auction (ie restricted to registered bidders only). The auction is conducted on the 3rd Tuesday of each month. The minimum amount needed to participate is K100,000 and in multiples of K10,000 thereafter.

### Government Treasury Bills (T-bills)

Treasury Bills is a short-term discounted paper or security issued by the Government with fixed maturities of 28, 63, 91, 182 and 364 days, redeemable at par on maturity.

The Government has the discretion to set the amount to be issued/sold together with the terms/maturities. Currently, only the 182-day and 364-day terms are issued.

By issuing Treasury Bills, the Government borrows cash from investors and promises to repay with interest at a nominated maturity term agreed upon.

Investing in Treasury Bills is open to the public. This includes financial institutions, non-financial institutions, and individuals.

BPNG conducts the Treasury bills auction every Wednesday, from 9.00am to 11.00am.

The minimum amount needed to participate at the auction is K100,000 with additional purchases in multiples of K10,000.

### Central Bank Bills (CBBs)

CBBs are a short-term discounted paper with fixed maturities of 28, 63, 91 and 182 days, redeemable at par on maturity, however, the CBBs auction is restricted to commercial banks and other deposit taking financial institutions and not open to the public.

JMP Securities is an active participant in both the primary auction markets as well as the Over-the-Counter secondary (resale) market for Government Securities, including Treasury Bills (less than 1 year) and Government Inscribed Stocks (GIS – 2 years+)

The secondary markets for these securities are mostly wholesale in nature, meaning a minimum investment of K250,000 per transaction.

### TAP market

There is a TAP market for T-Bills and GIS operated by BPNG which is open to retail investors.

The Treasury Bill & Bond Tap Facility is part of the BPNG's liquidity management tools used to influence the price of money (interest rates) to achieve its objective of price stability.

Treasury bills tap and Treasury bond tap are BPNG's stocks of Treasury Bills and Bonds issued on a Tap basis (over the counter) to investors at a pre-determined price or yield.

- I. T-bill-tap is a discount bill with terms less than 1 year of maturity. It is purchased at a discounted price, accrues interest daily until it reaches full face value on maturity.
- II. T-bond-tap is the fixed income bond that pays coupon interest on a six-monthly basis over the term of the bond. It has maturities for 2 years and more and can be purchased at par or face value on maturity.

The objective of offering the Tap facility is to support the development of the secondary market for the trading of government securities and to encourage a savings culture. This market provides an avenue for investors to meet their liquidity needs through the buying and selling of these securities.

The minimum amount to invest is K5, 000.00 and it is open to the public including individuals, private companies, church groups, government employees (individuals) and others. Government agencies or institutions are also allowed to invest.

Registered Bidders are not allowed to participate in the Tap Facility.

Trading is conducted on Mondays to Fridays from 10 am – 2 pm at the Bank of PNG, Port Moresby. Investors outside of Port Moresby can also purchase or invest in the T-bill and T-bond tap facility. Tap rates are fixed and can be obtained from the Bank weekly.

### Corporate bonds

The corporate bond market remains small and under-developed in PNG and there are presently no issued corporate debt securities trading on the PNGX.

From time to time, selected corporate issuers sell bonds in the Over the Counter (OTC) market. Because of restrictions under the Capital Markets Act 2015 these trades are also usually limited to minimum transaction sizes of K250,000.

### Secondary bond market

There is no secondary bond market in PNG, so all government securities must be held to maturity. This reduces the overall level of liquidity in PNG's capital markets.

JMP Securities would be pleased to assist clients with further information if you wish to access any of the abovementioned markets.

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