

LEGAL NOTICE NO. 141 OF 2008

Local Loans (Government Treasury Bills) (Trading) Regulations 2008

ARRANGEMENT OF REGULATIONS

PART I - PRELIMINARY

Regulations

1. Citation and commencement
2. Interpretation
3. Objectives

PART II - PRIMARY MARKET TRADING

4. Issue of treasury bills
5. Participation
6. Frequency
7. Invitation for bids
8. Submission of bids
9. Method of auction
10. Acceptance and rejection of bids
11. Announcement of results
12. Acceptable methods of payment
13. Method of recording ownership of treasury bills

PART III - SECONDARY MARKET TRADING

14. Change of ownership
15. Conditions of transfer
16. Premature disinvestment

PART IV - SECURITIES USED AS COLLATERAL

17. Collateral
18. Collateral Accounts and Unclaimed Securities Account
19. Collateralised transactions

PART V - REDEMPTION

20. Redemption

PART VI - REPEAL

21. Repeal

LEGAL NOTICE NO. 141 OF 2008

**Local Loans (Government Treasury Bills) (Trading)  
Regulations 2008**

In exercise of the powers conferred on me by section 20 of the Local Loans Act 2001, I,

**TIMOTHY THAHANE**

Minister of Finance, make the following Regulations:

**PART I - PRELIMINARY**

**Citation and commencement**

1. These Regulations may be cited as the Local Loans (Government Treasury Bills) (Trading) Regulations 2008 and shall come into operation on the date of publication in the Gazette.

**Interpretation**

2. In these Regulations, unless the context otherwise requires -

“auction date” means the date on which the Bank announces the results of an auction;

“business day” means a day on which commercial banks in Lesotho are open for business;

“Collateral Account” means a collateral account created by the Bank in terms of regulation 18(1);

“face value” means the value of the treasury bill to be redeemed on maturity date;

“Government” means the Government of Lesotho;

“Minister” means the Minister responsible for finance and in relation to the issuance of securities includes a person appointed by him or her for that purpose;

“securities” means documents issued under the authority of the Minister as evidence of loans raised under the Local Loans Act 2001;

“Securities Account” means a securities account created in terms of regulation 13(2);

“settlement date” means the date from which the investment starts earning interest as indicated on the invitation for bids in terms of regulation 7(2)(g);

“term” means the period from settlement date to maturity date;

“the Act” means the Local Loans Act 2001;

“the Bank” means Central Bank of Lesotho;

“treasury bills” means treasury bills issued under section 5 of the Act;

“treasury bills holding confirmation” means a document issued by the Bank in terms of regulation 13(4);

“Unclaimed Securities Account” means a securities account created by the Bank in terms of regulation 18(2).

**Objectives**

3. The objectives of these Regulations are -

- (a) to provide for the auctioning of government securities in a manner consistent with monetary policy objectives of government or consistent with the raising of loans to defray government expenditures; and

- (b) generally, to provide for the well functioning of the process of issuance and redemption of government securities.

PART II - PRIMARY MARKET TRADING

**Issue of Treasury bills**

4. (1) The Bank may, at any time and on a regular basis, issue government treasury bills with maturity not exceeding 365 days and shall determine the manner of issuance and allocation of the treasury bills.
- (2) Treasury bills shall be issued on a discount basis for face values in multiples of M100 and redeemed at their full face value at maturity:  
Provided that prior to maturity the market price of treasury bills may vary depending on market conditions.
- (3) The computation of the bid price, given the rate of discount, shall be based on the actual number of days to maturity, with a year consisting of 365 days, using the formula shown below:  
$$\text{Bid Price} - \text{FV} - (\text{FV} \times \text{DR} \times \text{Days to Maturity} / 365)$$
where FV means face value and DR means discount rate.
- (4) Announcements relating to new issues of treasury bills shall be made primarily through public notices on the notice board in the banking hall of the Bank, notices in local newspapers, internet, or through any other suitable media.
- (5) The Bank reserves the right to accept or reject all or any portion of any or all applications.

**Participation**

5. (1) Treasury bills may be purchased by any person or entity.
- (2) The Bank shall issue four sets of securities with maturity of 91, 182, 273 and 364 days or with maturities as close to 91, 182, 273, or 364 days in order to take account of public and other holidays. Other securities of any maturity less than 365 days can be issued as and when need arises.
- (3) Bids in any market shall be on competitive and non-competitive basis on the following conditions:
- (a) participation in the competitive category shall be subject to a minimum bid of M100 000.00;
- (b) a maximum of 4 bids per person or entity in the competitive sector shall be accepted;
- (c) bids in the non-competitive category shall only state the amount being tendered for and shall be for a minimum of M5000.00;
- (d) non-competitive bidders shall only submit one application per auction. Where a bidder submits two or more bids in the non-competitive market, the Bank reserves the right to reject any or all of the bids.
- Frequency**
6. Auctions for the 91, 182, 273 and 364-day bills shall ordinarily be held twice a month.
- Invitations for bids**
7. (1) Invitations for bids shall begin 7 days before the auction date and continue until the day before the auction date.

- (2) The Bank shall include the following information in each invitation for tenders:
- (a) the auction date;
  - (b) the deadline for submission of bids;
  - (c) the term (91, 182, 273, 364 days) (or any other issue) or maturity dates of bills;
  - (d) the registration number of the issue;
  - (e) the day and time for announcement of results of the tender;
  - (f) the deadline for making payments for successful bids;
  - (g) the settlement date;
  - (h) the total face value of bills to be auctioned;
  - (i) the discount rate that cleared the market and total allotment in the last similar auction.

#### Submission of bids

8. (1) Bids shall be submitted on the bid Form CBL/TBR/1 as set out in the schedule and bid forms shall be signed by the individual whose names appears on the bid form or, in the case of entities, the authorized signatories of that entity.
- (2) The forms shall be completed in full and shall bear no alterations.
- (3) Bid forms shall be delivered to the Bank at the designated reception point between 9:00 a.m. and 3:00 p.m. each day during the period specified for the receipt of bids and the deadline for receipt of forms is 3:00 p.m. on the day preceding the auction date.
- (4) Bids submitted to the Bank after the deadline shall not be accepted, nor shall the Bank entertain any requests to alter or withdraw tenders submitted within the appropriate time limit.

- (5) The forms shall be submitted in sealed envelopes clearly marked "Tender for Treasury Bills Registration Number... (reflecting the registration number given to the issue and shown on the invitation to tender)".
- (6) Envelopes shall also be marked "competitive" or "non-competitive".
- (7) Competitive bidders shall specify the amount of the bid and the price offered and the price shall be specified per M100.00 to 3 decimal places, provided that the third decimal is a multiple of 0.005.
- (8) Both competitive and non-competitive bids shall be in multiples of M100.00 face value.

#### Method of auction

9. (1) Bids in amounts equal to M100 000.00 or higher, shall be classified as competitive bids and a bid in this category shall be made by completing bid Form CBL/TBR/1.
- (2) Allocations under the competitive bidding process shall be made starting with the bid offering the highest price until the entire allotment has been exhausted.
- (3) All successful bidders shall be allocated treasury bills at a uniform price corresponding to the bid price at which the entire allotment was exhausted.
- (4) Bids in amounts equal to M5 000.00 or higher but less than M100 000.00 shall be classified as non-competitive bids and bids under this category shall also be made by completing bid Form CBL/TBR/1.
- (5) All non-competitive bids shall be allocated at the same price at which allocation was made in the competitive bid in the same auction.

**Acceptance and rejection of bids**

10. (1) The Bank shall not accept bids in amounts less than M5 000.00 face value.
- (2) The Bank reserves the right to accept or reject all or a portion of any or all bids.
- (3) If, in the case of a competitive bidding process, an auction is oversubscribed, that is, the demand for bills in a given auction exceeds the amount announced as the total face value of the bids to be auctioned, the Bank shall not issue more than the amount announced.
- (4) Allocation of treasury bills shall be made from the highest bidder (in terms of price) downwards until the amount announced is exhausted.
- (5) Where there is more than one bidder at the cut-off price, allocation shall be made on a *pro-rata* basis.
- (6) If, in the case of a non-competitive bidding allocation, the value of bids received is greater than the amount set aside for allocation on a non-competitive basis, the allocations shall be made on a *pro-rata* basis.

**Announcement of results**

11. (1) The results of the tender shall, as far as practicable, be announced from 9:00 a.m. on the auction day and the announcement shall be in the form of written notifications to all applicants.
- (2) Letters on individual notifications shall include the amounts accepted and the accepted price for successful applications and unsuccessful applicants shall be informed accordingly.
- (3) Bidders, or their representatives, shall be required to present themselves at the Bank after 9:00 a.m. on the auction day to receive the notification of the results of the bids and it shall

**Acceptable methods of payment**

- (4) The Bank is not obligated to notify bidders of the reasons for their success or otherwise.
12. (1) Payments for allocations shall be received immediately after the announcement of the results on the auction day until 4:00 p.m. the same business day.
- (2) Bidders with cash accounts with the Bank shall be required to issue standing instructions to the Bank to debit their accounts in payment for securities allocated.
- (3) Bidders that do not hold cash accounts with the Bank shall be required to effect payment through a commercial bank payment instruction.
- (4) Successful applicants who fail to settle their bid application shall be barred from participation for a period of 6 months and shall be so informed in writing.
- (5) Where an applicant fails to settle twice within a two-year period, the applicant may be barred from participation for a longer period, as the Bank may deem fit.
- (6) An allocation of treasury bills shall be irrevocably effected a day after the auction.
- (7) Treasury bills for which settlement has not been effected shall remain un-issued.
- (8) The effective term of the investment is from the settlement date to the maturity date.

**Method of recording ownership of treasury bills**

13. (1) The Bank shall not issue treasury bill certificates to investors but shall keep them in an electronic form.

of securities for purposes of keeping an electronic register or record of ownership of the securities.

- (3) In order to open a Securities Account, an investor shall complete Form CBL/TBR/0 as set out in the schedule before any securities can be registered to the investor, either as a result of primary or secondary market transactions.
- (4) Upon request by the investor, the Bank shall issue a treasury bill holding confirmation confirming the ownership of treasury bills.
- (5) Investors may request a confirmation of the balance of treasury bills holdings by completing Form CBL/TBR/6 as set out in the schedule and such a confirmation shall only reflect the face value (not the market value) and maturity date of their holdings.

#### PART III - SECONDARY MARKET TRADING

##### Change of ownership

14. (1) Holders of securities are free to trade treasury bills with any counterpart in the market.
- (2) Changes in ownership shall only be effected by both parties to a transaction and upon completion of transfer Form CBL/TBR/2 as set out in the schedule and the form shall be completed in triplicate, a copy of which shall be kept by both the seller and the buyer.
- (3) On the day the transaction takes place, both the buyer and the seller, or their respective authorised representatives, shall present themselves simultaneously at the Bank to deliver form CBL/TBR/2 and to receive treasury bill holding confirmation attesting to the change of ownership.
- (4) The Bank shall only act upon instructions contained in Form CBL/TBR/2 completed and signed by authorised signatories of both parties to the transaction.

- (5) The parties shall ensure that their identities as they appear in the records held by the Bank are properly reflected in Form CBL/TBR/2.

(6) The Bank shall make every effort to ensure that all accounts are operated with utmost integrity and shall take appropriate action to protect treasury bill holders.

(7) The Bank shall not guarantee against fraudulent activity and consequently shall not undertake to indemnify losses incurred by any party as a result of fraudulent transfers of securities.

##### Conditions of transfer

15. (1) Where the buyer or both parties to a transfer have a cash account with the Bank, the Bank shall transfer securities from the Own Treasury Bills Account of the seller into the Own Treasury Bills Account of the buyer against a transfer of funds (or issuance of a cheque) in the opposite direction.
- (2) In order to achieve the objective in sub regulation (1), the relevant part of Form CBL/TBR/2, which contains funds transfer details, shall be completed by the buyer.
- (3) Where funds are not being authorized for transfer, a line shall be drawn through the 'funds transfer' section of the form.
- (4) Where the buyer or both parties to a transfer do not have a cash account with the Bank, the Bank shall still effect the transfer of securities by transferring the securities from the Own Treasury Bills Account of the seller into the Own Treasury Bills Account of the buyer, only upon receiving duly completed and signed Form CBL/TBR/2 and the Bank shall assume that the terms of payment have been agreed to and effected between the two counterparties to the deal.
- (5) The completed form shall be delivered by hand to the Bank on the day of the transaction and both parties to the

transaction shall simultaneously present themselves to the Bank on this day.

- (6) Notifications of transfer of ownership shall be received by the Bank not later than five business days before the date of maturity of the bills in question.

- (7) The Bank shall issue a confirmation to both parties involved in the transfer of bills confirming the transfer.

#### **Premature disinvestment**

16. (1) The Bank shall be ready to purchase treasury bills from investors:

Provided that such a purchase shall take place where an investor has held the security for 75 per cent of its term and at least five business days prior to maturity date of the securities.

- (2) Investors, or their authorised representatives, who wish to sell their treasury bills to the Bank shall notify the Bank by completing Form CBL/TBR/3 as set out in the schedule and hand it over to the Bank.

- (3) The Bank shall purchase the securities at a price calculated such that the interest rate payable to the Bank on such securities is four percentage points above the prevailing market interest rate on such securities. In the absence of observable market interest rate, the Bank shall, generally, determine the rate by interpolation between the rates determined in the latest primary auctions.

- (4) In the case of holders of cash accounts with the Bank, their Accounts shall be credited with amounts, calculated in accordance with sub-regulation (3), by close of business on the date of the transaction.

- (5) In the case of investors that do not hold cash accounts with the Bank, the Bank shall deposit the proceeds of their investments in their designated commercial bank accounts.

#### **PART IV - SECURITIES USED AS COLLATERAL**

##### **Collateral**

17. (1) Investors may use their securities as collateral against borrowing from third parties:

Provided that the maturity date of the loan comes before the maturity date of the securities being used as collateral.

- (2) Securities to be used as collateral shall have been held for at least eight days and shall not be less than five days to maturity.

- (3) Parties to a secured transaction shall be required to notify the Bank by completing collateralisation Form CBL/TBR/4 as set out in the schedule and once submitted to the Bank the forms shall not be withdrawn.

##### **Collateral Accounts and Unclaimed Securities Account**

18. (1) The Bank shall create Collateral Accounts for purposes of recording transactions of treasury bills being used as collateral.

- (2) The Bank shall create an Unclaimed Securities Account for purposes of recording securities that have not been claimed or are the subject of dispute between the parties to the transaction.

##### **Collateralised transactions**

19. (1) Upon receipt of a properly completed Form CBL/TBR/4 from parties to a secured transaction, the Bank shall transfer securities from the borrowing party's Own Treasury Bill Account to his or her Collateral Account.

- (2) At the same time, if indicated on the form, the Bank shall transfer the agreed amount from the lending party's Cash Account to the borrowing party's Cash Account.

## PART V - REDEMPTION

**Redemption**

(3) In the case where the borrowing party does not hold a Cash Account with the Bank, their money shall be transferred to their accounts with the designated commercial bank.

(4) Upon receipt of a properly completed Form CBL/TCR/4, the Bank shall transfer the agreed face value of securities from the borrowing party's Treasury Bill Account to his or her Collateral Account:

Provided that the borrower has surrendered his treasury bill holding confirmation to the Bank.

(5) Confirmations of the collateral transactions shall be available for collection by both parties to a collateral transaction by the close of business the next business day.

(6) Where procedures as outlined by the Bank have not been correctly followed or on account of suspected fraud, the Bank may deem the application for a collateral transaction unacceptable and shall notify the parties accordingly on the next business day.

(7) The Bank shall not be involved in the transfer of funds from lender to borrower in the case in which the lender does not have a Cash Account with the Bank and as such, shall not be held responsible for transactions that are not fully completed in this case.

(8) Upon maturity of a secured transaction, the Bank shall transfer back the bills to the Own Treasury Bills Account of the borrower only upon receipt of a duly completed collateral release Form CBL/TCR/5 as set out in the schedule completed by both parties to the transaction.

(9) In the case in which Form CBL/TCR/5 has not been received by the Bank by the maturity date of the securities in question, or there is a dispute between parties to a secured transaction, the Bank shall transfer the securities from the borrowing party's Collateral Account into an Unclaimed Securities Account.

20.

(1) On maturity date, payments shall be made to treasury bill holders based on the details as provided by each investor on form CBL/TCR/1 as well as the Bank's electronic register or record of ownership of the securities.

(2)

In the case of holders of cash accounts at the Bank, their accounts shall be credited with the face value by close of business on maturity date.

(3)

In the case of investors that do not hold cash accounts with the Bank, the Bank shall deposit the proceeds of their investments in their designated commercial bank accounts.

(4)

In the event that maturity date falls on a non-business day, payments shall be made on the next business day without penalty.

## PART VI - REPEAL

**Repeal**

21. The Treasury Bills Regulations 2002<sup>2</sup> are repealed.

TIMOTHY THAHANE  
MINISTER OF FINANCE

## NOTE

1. Act No. 13 of 2001
2. Legal Notice No. 34 of 2002



*Alterations shall nullify the Form. Interest is subject to withholding tax.*

*NB: The Central Bank of Lesotho reserves the right to reject the bid.*

CBL/TBR/2

**GOVERNMENT OF LESOTHO TREASURY BILLS  
TRANSFER FORM**



I/we authorise the Central Bank of Lesotho (CBL) to transfer Treasury bills from my/our Own Account in accordance with the transaction detailed below:

**A. TRANSACTION DETAILS**

Surname of Seller/Company Name: \_\_\_\_\_  
*(Names as appearing on passport/business registration)*

Other Names: \_\_\_\_\_  
*(Names as appearing on passport)*

Passport No./Registration No.: \_\_\_\_\_

Expiry Date: \_\_\_\_\_

Surname of Buyer/Company Name: \_\_\_\_\_  
*(Names as appearing on passport/business registration)*

Other Names: \_\_\_\_\_  
*(Names as appearing on passport)*

Passport No./Registration No.: \_\_\_\_\_

Expiry Date: \_\_\_\_\_  
*(If the buyer does not hold a Treasury bills account, he/she must first complete registration form, CBL/TBR/0)*

Transaction Date	Treasury bills Issue Number	Maturity Date	Face Value of Bills to be Transferred

Authorised Seller(s) Name(s): \_\_\_\_\_ Signature(s) of Authorised Signatory(s): \_\_\_\_\_

1. \_\_\_\_\_ 1. \_\_\_\_\_  
2. \_\_\_\_\_ 2. \_\_\_\_\_  
Date: \_\_\_\_\_

**B. FUNDS TRANSFER**

This section is optional and can only be completed in circumstances where the buyer has a cash account at the CBL.

cash account. If the seller does not have a cash account, I/we request a cheque to be made out in favour of the seller.

Authorised Buyer(s) Name(s): \_\_\_\_\_ Signature(s) of Authorised Signatory(s): \_\_\_\_\_

1. \_\_\_\_\_ 1. \_\_\_\_\_  
2. \_\_\_\_\_ 2. \_\_\_\_\_  
Date: \_\_\_\_\_

CBL/TBR/3

**GOVERNMENT OF LESOTHO TREASURY BILLS  
COLLATERALISATION FORM**



I/we hereby pledge the Treasury bills in accordance with the transaction detailed below I/we authorise the Central Bank of Lesotho (CBL) to debit my Own Account and credit my Collateral Account with the face value of pledged securities, in favour of the name lender to the transaction.

**A. TRANSACTION DETAILS**

Surname of Borrower/Company Name: \_\_\_\_\_  
*(Names as appearing on passport/business registration)*

Other Names: \_\_\_\_\_  
*(Names as appearing on passport)*

Passport No./Registration No.: \_\_\_\_\_

Expiry Date: \_\_\_\_\_

Surname of Lender/Company Name: \_\_\_\_\_  
*(Names as appearing on passport/business registration)*

Other Names: \_\_\_\_\_  
*(Names as appearing on passport)*

Passport No./Registration No.: \_\_\_\_\_

Expiry Date: \_\_\_\_\_

Transaction Date	Value Date	Maturity Date

**B. Details of Treasury bills to be Pledged**

Issue Number	Maturity Date	Face Value of Pledged Treasury bills

The Treasury bills will only be returned to my Own Account when the lender submits properly completed Collateral Release Form.

Authorised Buyer(s) Name(s): \_\_\_\_\_ Signature(s) of Authorised Signatory(s): \_\_\_\_\_

1. \_\_\_\_\_ 1. \_\_\_\_\_

2. \_\_\_\_\_ 2. \_\_\_\_\_

Date: \_\_\_\_\_

Authorised Seller(s) Name(s): \_\_\_\_\_ Signature(s) of Authorised Signatory(s): \_\_\_\_\_

1. \_\_\_\_\_ 1. \_\_\_\_\_

2. \_\_\_\_\_ 2. \_\_\_\_\_

Date: \_\_\_\_\_

CBL/TBR/4

**GOVERNMENT OF LESOTHO TREASURY BILLS  
COLLATERAL RELEASE FORM**



I/we authorise the Central Bank of Lesotho (CBL) to release the Treasury bills from the Borrower's Collateral Account to the Borrower's Own Account in accordance with the transaction detailed below.

**A. Transaction Details**

Surname of Borrower/Company Name: \_\_\_\_\_  
(Names as appearing on passport/business registration)

Other Names: \_\_\_\_\_  
(Names as appearing on passport)

Surname of Lender/Company Name: \_\_\_\_\_  
(Names as appearing on passport/business registration)

Other Names: \_\_\_\_\_  
(Names as appearing on passport)

Transaction Date	Value Date	Maturity Date

**B. Details of Treasury bills Pledged**

Issue Number	Maturity Date	Face Value of Pledged Treasury bills

Authorised Borrower(s) Name: \_\_\_\_\_ Signature(s) of Authorised Lender(s): \_\_\_\_\_

1. \_\_\_\_\_ 1. \_\_\_\_\_

2. \_\_\_\_\_ 2. \_\_\_\_\_

Date: \_\_\_\_\_

*Funds Transfer*

This section is optional and can only be completed where the lender has a cash account at the CBL.

I hereby authorise the CBL to debit my cash account for the amount detailed above as the 'Principal Amount' and credit the borrower's cash account. In the event the borrower does not have a cash account, please issue a cheque against my cash account in favour of the borrower.

Authorised Lender(s) Name: \_\_\_\_\_

Signature(s) of Authorised Lender(s): \_\_\_\_\_

1. \_\_\_\_\_ 1. \_\_\_\_\_

2. \_\_\_\_\_ 2. \_\_\_\_\_

Date: \_\_\_\_\_

CBL/TBR/5

**GOVERNMENT OF LESOTHO TREASURY BILLS  
DISINVESTMENT FORM**



I/we authorise the Central Bank of Lesotho (CBL) to transfer Treasury bills from my Own Account to the CBL in accordance with the transaction detailed below.

**A. Transaction Details**

Surname of Seller/Company Name: \_\_\_\_\_  
(Names as appearing on passport/business registration)

Other Names: \_\_\_\_\_  
(Names as appearing on passport)

Passport No./Registration No.: \_\_\_\_\_

Expiry Date: \_\_\_\_\_

Transaction Date	Treasury bills Issue Number	Maturity Date	Face Value Of Bills Being Disinvested	Discount Rate	Price

--	--	--	--	--	--

Authorised Seller(s) Name(s) :                      Signature(s) of Authorised Signatory(s):

1. \_\_\_\_\_ 1. \_\_\_\_\_

2. \_\_\_\_\_ 2. \_\_\_\_\_

Date: \_\_\_\_\_

CBL/TBR/6



**GOVERNMENT OF LESOTHO TREASURY BILLS  
HOLDING REQUEST FORM**

Treasury Bills Holder's Name: .....

Treasury Bills Issue No: .....

Treasury Bills Holder's Signature: .....

Date: .....

*For Internal Use Only*

Request received by: .....

Statement provided by:.....

Date: .....

Central Bank of Lesotho, P.O. Box 1184, Maseru 100, Lesotho.