

## GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO

# TT\$1,000.0 MILLION Or such greater amount as the Government of Trinidad and Tobago may determine subject to a maximum of TT\$1,500 million

# 6.00% FIXED RATE BONDS DUE NOVEMBER 22, 2031 for Auction on November 18, 2011

The Agent - Central Bank of Trinidad and Tobago, Eric Williams Financial Complex, St. Vincent Street, Port-of-Spain

"The Securities and Exchange Commission has not in any way evaluated the merits of the securities offered hereunder and any representation to the contrary is an offence."

# INFORMATION MEMORANDUM

#### **ABSTRACT**

The Government of the Republic of Trinidad and Tobago proposes to raise TT\$1,000.0 million or such greater amount as the Government of Trinidad and Tobago may determine subject to a maximum of TT\$1,500 million through the issue of a 20 year bond with a coupon rate of 6.00% per annum. The bonds will be issued under the authority of the Development Loans Act Chap. 71:04.

This bond issue is the first central government bond issue for fiscal year 2011/2012 and is being issued to finance payouts to CLICO policyholders.

The bonds will be issued through the automated auction system operated by the Central Bank. A single price auction system will be used and, as far as possible, applicants will be allotted bonds to the fullest extent of their applications.

The auction will be opened at 10:45 a.m. on Thursday November 10, 2011 and closed at 1:00 p.m. on Friday November 18, 2011.

Bonds will be dated November 22, 2011.

## TERMS OF ISSUE

## Authority

This bond will be issued under the Development Loans Act, Chap. 71:04 of the Revised (1980) Laws of Trinidad and Tobago.

## **Purpose of Issue**

This bond is being issued to finance government's payouts to CLICO policyholders. The government is also mindful of its role in the development of the local capital market and, in particular, the development of the government bond market. To this end, it continues to provide securities that will cater to the needs of all investors.

These bonds are eligible for inclusion in the Statutory Fund of Insurance Companies and will be considered as assets in and originating in Trinidad and Tobago within the meaning of sections 46 (1) and 186 (1) respectively of the Insurance Act, 1980 and will also be accepted without limit for appropriate deposit purposes in accordance with section 29 of the Insurance Act.

#### Date of Issue

The date of issue of this bond is November 22, 2011.

#### Agent

The Central Bank of Trinidad and Tobago has been appointed sole and exclusive agent for the raising and management of this issue of Bonds.

#### **Method of Payment**

The full purchase price is payable on settlement date. Payment will be made in Trinidad and Tobago dollars.

#### Security

The principal monies and interest represented by the Bonds will be charged upon and are payable out of the Consolidated Fund and are secured on the Revenues and Assets of the Republic of Trinidad and Tobago.

#### Interest

Interest is payable semi-annually on November 22 and May 22. Interest will accrue from November 22, 2011 and the first payment will be made on May 22, 2012. Interest will be calculated on a 365-day basis.

#### 8. **Business Day**

In the event that a payment date occurs on a day other than a business day, such payment will be made on the business day following that date.

## Registrar

The Central Bank of Trinidad and Tobago has been appointed the Registrar for this issue of Bonds.

## 10. Trustee

The Trinidad and Tobago Unit Trust Corporation has been appointed the Trustee for the bondholders of this issue of Bonds.

## 11. Redemption

Any bond forming part of this issue, if not previously cancelled or redeemed by purchase in the open market, will be repaid at par on November 22,

#### 12. Applications and General Arrangements

Applications can be made through the designated Government Securities Intermediaries listed at the end of this Information Memorandum. Intermediaries must enter bids, based on completed application forms, into the electronic auction system. Applications must be for \$1,000.00 face value or multiples thereof. No allotment will be made for any amount less than \$1,000.00 face value.

Government Securities Intermediaries are appointed by the Central Bank to act as counterparties in the auction and, thereafter, to provide a secondary market for the bonds. Bids can be placed competitively or non-competitively by submitting the relevant application form, along with payment to a Government Securities Intermediary. The maximum allotment that can be obtained through a non-competitive bid is \$100,000.00 face value at a price established in the competitive side of the auction. This price is the minimum price, when the successful bids are ordered from the highest price to the lowest price and may be at par, premium or a discount.

A register of bondholders will be held in book-entry form at the Central Bank of Trinidad and Tobago.

An Information Memorandum on this bond issue is available at www.centralbank.org.tt. Application Forms and Transfer of Ownership Forms may be obtained at the offices of all Government Securities Intermediaries.

#### **DEBT MANAGEMENT AND ADMINISTRATION**

## 1. Debt Management Objectives

The debt management objectives of the Government of Trinidad and Tobago are:

- To minimize over the long-term the cost of meeting its financing needs, while containing its exposure to risk;
- To facilitate the development of a well functioning domestic capital market, with the creation and maintenance of a local interest-rate yield curve; and
- To ensure that debt management policy is consistent with the objectives of monetary policy, fiscal policy and other macroeconomic policies.

#### 2. Debt Management Strategy

Government's Debt Management Strategy for the medium term will continue to focus on the establishment of a risk management framework and the development of an efficient market for government securities. Government will ensure that both the level and the rate of growth of the public debt are fundamentally sustainable and consistent with international standards.

The debt management strategy will involve, inter alia:

- Achievement of an optimal level of debt that offers fiscal sustainability, external sustainability and solvency in the short, medium and long-term;
- Careful monitoring and management of contingent liabilities.

# 3. Accountability and Transparency

The Government of Trinidad and Tobago is responsible for ensuring

- the legislative authority to borrow is clearly defined and executed within that framework;
- debt data and indicators are accurately recorded and disclosed in accordance with the Freedom of Information Act;
- contingent liabilities are included in debt data; and
- debt management activities are regularly audited externally and reported.

The Auditor General is mandated under the Constitution of the Republic of Trinidad and Tobago paragraph 116 (2) and (3) to audit and report on the public accounts of Trinidad and Tobago annually. Under the Exchequer and Audit Act, Chapter 69:01, the Auditor General is also mandated to audit the accounts of all accounting officers and receivers of revenue and all persons entrusted



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with the assessment of, collection, receipt, custody, issue or payment of public moneys, or with the receipt, custody, issue, sale, transfer or delivery inter alia of securities.

The Annual Reports of the Auditor General are submitted to the Speaker, the President of the Senate and the Minister of Finance and laid in Parliament.

#### 4. Institutional Framework

The debt management activities of the Ministry of Finance are managed by the Debt Management Unit of the Economic Management Division (EMD) in the Ministry of Finance. This Unit is supported by an automated management information system known as the Debt Management and Financial Analysis System (DMFAS). This system was designed by the United Nations Conference on Trade and Development (UNCTAD) and facilitates accurate debt recording and reporting. It enables not only the timely servicing of debt obligations, but also improves the quality of budgetary reporting and the transparency of government financial accounts.

#### 5. Credit Rating

Standard & Poor's affirmed the Republic of Trinidad and Tobago's long-term foreign currency sovereign credit rating of 'A', its long-term local currency rating of 'A' and its short-term local and foreign currency ratings of 'A-1'. Moody's Investors' Service also maintained Trinidad and Tobago's key foreign currency ratings of 'Baa1'. These ratings are indicative of strong economic growth prospects, the strong internal and external balances and prudent macroeconomic policies (Table II).

## **ECONOMIC REVIEW**

Trinidad and Tobago's economic performance in 2011 was against a backdrop of adverse shocks to the international economy, and continuing economic weakness in the US and Euro area. According to preliminary estimates from the Central Bank's Quarterly Gross Domestic Product (QGDP) Index, real GDP grew by 1.0 per cent (year-on-year) in the second quarter of 2011, following two consecutive quarters of decline. The energy sector grew by 1.4 per cent, while the non-energy sector expanded marginally (0.6 per cent), following nine consecutive quarters of decline. Energy sector growth was largely on account of higher natural gas and petrochemical production while, in the non-energy sector, Manufacturing, the Distribution and Retail sectors, and Agriculture, increased moderately. Construction activity remained subdued during the second quarter, declining by 3.7 per cent. For 2011 as a whole, the Central Statistical Office has projected a decline of 1.4 per cent in Real GDP with the energy sector growth being flat, and the non-energy sector weak.

Available data from the Central Statistical Office (CSO) show that the labour market weakened in 2010, in keeping with slowness in the non-energy sector. The rate of unemployment increased to 6.3 per cent in the fourth quarter of 2010 compared with 5.9 per cent for the third quarter. For the whole of 2010, the unemployment rate averaged 5.9 per cent compared with 5.3 per cent in 2009.

Headline inflation, which has declined substantially in 2011-due mainly to the slowdown in pace of increase in food prices,-stood at 2.5 per cent (year-onyear) in September 2011 after registering 12.5 per cent in January 2011 and 13.2 per cent (year-on-year) in September 2010. The easing of food price inflation so far in 2010 partly reflected a "base effect" caused by an upsurge in food prices during the first eight months of 2010. Meanwhile, core inflation, which excludes food prices, also fell, to 1.3 per cent (year-on-year) in September 2011, compared with 4.1 per cent in September 2010.

With inflationary pressures remaining well contained in 2011, the Central bank maintained an accommodative monetary policy stance in support of growth and employment. The Bank reduced its repo rate from 3.75 per cent at the end of December 2010 to 3.00 per cent by October 2011, prompting a fall in commercial banks' median prime lending rate from 8.0 per cent in April to 7.75 per cent in September. This reduction in bank lending rates helped improved credit conditions and private sector credit granted by the consolidated financial system expanded by 1 per cent (year-onyear) in August. Consumer lending rose by 4.3 per cent in August 2011, while real estate mortgage lending continued to grow robustly and increased by 9.6 per cent in August 2011. Further, business lending, which had been declining for some time, in July and August began to show some signs of recovery. In the first nine months of 2011, commercial banks' excess reserves climbed significantly. In the first quarter, excess reserves stood at \$1.4 billion (daily average), but dipped slightly in the second quarter to reach a daily average of \$1.3 billion. Thereafter, propelled by large net fiscal injections, excess reserves began to grow, reaching \$3.6 billion (daily average) in the third quarter of 2011.

High excess liquidity has pushed short-term treasury rates to record lows. From 0.97 per cent in June the three-month treasury bill rate fell to 0.25 per cent in October 2011. The low level of domestic interest rates coupled with the fall in foreign interest rates, led to a narrowing of the TT-US interest rate differential to 0.23 per cent by October 2011.

Fiscal operations in FY 2011 led to a deficit of \$5.1 billion on the fiscal accounts. Higher-than-budgeted crude oil prices and receipts from the tax amnesty boosted revenue collections beyond budget projections.

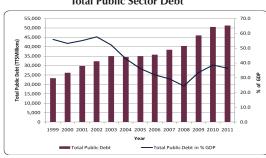
Provisional data at the end of fiscal year 2010/2011 showed that gross public debt, which includes the debt of central government, statutory authorities and state enterprises, had increased to \$71,201 million from \$70,472 million at the end of fiscal 2009/2010. Further, central government external debt amounted to \$9,240 million compared with \$8,729 million in the corresponding period one year ago. The increase was driven by new borrowings from the Inter-American Development Bank (IADB). However, central government domestic debt declined to \$38,504 million from \$39,182 million at the end of the previous fiscal year. At the end of September 2011, Trinidad and Tobago's debt to GDP ratio stood at 36.3 per cent.

The external accounts remained robust in light of buoyant exports and higher prices for crude oil. Preliminary data for the first nine months of 2011 indicate that the external accounts registered an overall surplus of US276.1 million, a decrease of approximately 36.5 per cent when compared to the surplus recorded in the similar period of 2010 (US\$434.8 million). The overall current account recorded an estimated surplus of US\$1.4 billion at the end of the first quarter of 2011, an improvement from the US\$974.2 million recorded in the corresponding period of 2010. Meanwhile, the capital account remained in deficit. At the end of September 2011, the level of gross official reserves amounted to just over US\$9.3 billion, or 12.3 months of prospective imports of goods and non-factor services.

#### KEY STATISTICS FOR THE GOVERNMENT DOMESTIC BOND MARKET

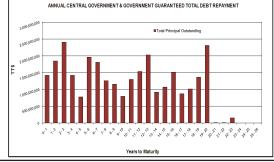
The following charts and statistics show key aspects of the government's fiscal performance.

Chart I. Total Public Sector Debt



Source: Central Bank of Innidad and Tobago
\*Total public debt excludes treasury bills and treasury notes issued for open market operations (OMOs)

#### Chart II Maturity Profile of Central Government & Government Guaranteed Domestic Debt



#### Table I Central Government Domestic Bond Issues (2003-2011)

No.	Issue/Reop ening Date	Face Value of Issue (TT\$)	Year of Maturity	Tenor (Years)	Rate (% per Annum)	opening (% per Annum
	30-Sep-03	200,000,000	2013	10	6.08%	6.08%
1	30-Sep-03	200,000,000	2018	15	6.40%	6.40%
2	6-Nov-03	640,000,000	2018	15	6.20%	6.20%
3	3-Aug-04	300,000,000	2019	15	6.15%	6.15%
4	15:Sep:04	516,000,000	2014	10	6.00%	6.00%
5	22:Sep:04	300,000,000	2019	15	6.10%	6.14%
6	16-Mar-05	400,000,000	2015	10	6.00%	6.05%
7	24·May·05	400,000,000	2015	10	6.10%	6.11%
8	30·Nov·06	700,000,000	2014	8	8.00%	8.15%
9	9-Feb-07	674,301,000	2012	5.5	7.80%	7.80%
10	27-Apr-07	1,017,978,000	2014	7	8.00%	8.00%
11	2-Jul-08	1,200,000,000	2017	9	8.25%	8.25%
12	23-Apr-09	1,000,000,000	2024	15	7.75%	7.75%
13	30-Jun-09	280,000,000	2016	7	6.20%	5.85%
14	30-Jun-09	368,504,000	2020	11	6.40%	6.40%
15	1.Jul.09	141,310,000	2034	25	8.50%	8.50%
16	1.Jul.09	227,332,000	2034	25	8.50%	8.50%
17*	16-Oct-09	231,496,000	2020	11	6.40%	6.35%
18	9-Feb-10	600,000,000	2025	15	6.50%	6.00%
19	4-Feb-10	1,399,800,000	2027	17	6.60%	6.60%
20	4-Feb-10	1,000,000,000	2029	19	6.70%	6.70%
21	4:Feb:10	1,000,000,000	2031	21	6.80%	6.80%
22	20-Apr-10	794,000,000	2023	13	5.95%	5.75%

† · All coupons are fixed \* · Reopening of \$600m Bond

#### Table II Trinidad and Tobago's Credit Ratings

Moody's	Current	Standard and Poor's	Current
Foreign Currency Government Bonds	Baa1-Stable	Local Currency - Short Term	A-1
Local Currency Government Bonds	Baa1-Stable	Local Currency – Long Term	A
Foreign Currency Ceilings for Long-term Bonds and Notes	A1-Stable	Foreign Currency - Short Term	A-1
Foreign Currency Ceilings on Short-term Bonds and Notes	P-1-Stable	Foreign Currency - Long Term	A
Foreign Currency Ceilings for Long-term Bank Deposits	Baa1-Stable		
Foreign Currency Ceiling for Short-term Bank Deposits	P-2-Stable		

Source: (I) Moody's Investors Services (II) Standard and Poor's Moody's Global Sovereign: Credit Analysis January 2010

# LIST OF GOVERNMENT SECURITIES INTERMEDIARIES

Institution Contact Addresses					
ANSA Merchant Bank Limited	11c Maraval Road Port of Spain Tel: 623-8672 Fax: 624-8763				
First Citizens Investment Services Limited*	Ground Floor, Furness Court Corner Richmond Street and Independence Square Port of Spain				
	Tel. 623-7815/5153 Fax. 624-4544				
Bourse Securities Limited*	96 Maraval Road Port of Spain Tel: 623-0415 Fax: 624-6953				
Citicorp Merchant Bank Limited	12 Queen's Park East Port of Spain				
	Tel. 625 1046; 623 3344 Fax: 624 1719				
First Citizens Bank Limited	Corporate Centre 9 Queen's Park East Port of Spain				
	Tel: 624·3178 Fax: 627·4548				
Intercommercial Trust and Merchant Bank Limited	Ground Floor Furness Building Port of Spain				
	Tel: 665-4425 Fax: 665-6663				
Republic Bank Limited	9-17 Park Street Port of Spain				
	Tel: 625-4411 Fax: 624-1296				
RBC Merchant Bank (Trinidad and Tobago) Limited	8 Sweet Briar Road St. Clair Tel: 625:3511				
ScotiaTrust and Merchant Bank (Trinidad and Tobago)	Fax: 624-5212  Scotia Centre 56-58 Richmond Street Port of Spain				
Limited	Tel: 625-3566 Fax: 623-4405				
FirstCaribbean International Bank (Trinidad and Tobago) Limited	74 Long Circular Road Maraval Port of Spain				
	Tel: 628-4685 Fax: 625-8906				
Trinidad and Tobago Unit Trust Corporation *	Corner Richmond Street and Independence Square Port of Spain				
	Tel: 624-8648 Fax: 624-4729				

Note: \* Intermediaries designated to accept non-competitive bids from the public. Applications will be accepted by these institutions up to 12:00 noon on Thursday 17th November, 2011.