



PUBLIC NOTICE

LAUNCH OF 5-YEAR TREASURY BOND AND CHANGES TO THE TERMS AND CONDITIONS OF ALL TREASURY BONDS (2-YEAR AND 5-YEAR)

On behalf of the Ministry of Finance, the Bank of Tanzania is announcing the launch of a new 5-year Treasury bond instrument on **February 27, 2002**. The purpose of the new bond is to lengthen the maturity profile of Government debt and extend the yield curve out to 5 years. The issuance and listing of the 5-year bond will be in line with the changes (1-7) detailed below for all Treasury bonds.

These changes to the terms and conditions of all Treasury bonds are a continuation of Government efforts to restructure its domestic debt towards marketable securities and develop financial markets in line with international best practice:

1. Weekly auctions of Treasury bonds will be discontinued. Treasury bonds will be auctioned on a monthly basis using the internationally accepted tranching or reopening system. Under this system a Treasury bond issued in the first month of a quarter (parent bond), will be reopened (with the same coupon rate and maturity date) in the next two months of that quarter, so as to increase the outstanding volume of the parent bond.
2. An indicative schedule of upcoming auctions in a quarter will normally be announced at least two weeks before the first proposed auction in that quarter.
3. Coupon-based bidding, i.e. government fixing price at par value and investors bidding coupon rates, will be discontinued and replaced by price-based bidding, i.e. the government will now fix the coupon rate and investors will bid prices against TZS 100 par value. Yields will, nevertheless, be determined by investors through the prices they bid. The semi-annual coupon rate will be announced in the call to tender for each auction—usually one week before the auction date.
4. Uniform-pricing, i.e. each successful bidder getting the same lowest clearing price, will be discontinued and replaced by multiple (or discriminatory) pricing, i.e. each successful bidder will get the price s/he quoted.
5. Treasury bonds will no longer be issued using physical certificates. Henceforth, all issues will be in the book entry form.
6. All new Treasury bonds issued in line with 1-5 above will be listed on the Dar es Salaam Stock Exchange (DSE) and all secondary market trading will take place there. Secondary market trading for existing 2-year T-bonds not listed on the DSE will continue over the counter.
7. All Treasury bonds listed on the DSE will be exempt from capital gains tax. The exemption will not apply, however, to bonds held from issue until maturity.

The aforementioned changes will come into effect for 5-year Treasury bonds from February 27, 2002 and for 2-year Treasury bonds from April 1, 2002.

The prospectus describing the new terms and conditions, and detailed information on bond pricing under the new system, is available at the Bank of Tanzania website: <http://www.bot-tz.org> and from Domestic Markets Department, Bank of Tanzania, 10 Mirambo Street, P.O. Box 2939, Dar es Salaam (Tel: 2115128/2119318/2119153; Fax: 2112537); and the Ministry of Finance website: <http://www.tanzania.go.tz/finance>.