



PRESS RELEASE

CENTRAL BANK OF THE BAHAMAS INTRODUCES MARKET PRICING MODEL FOR SECONDARY TRANSACTIONS IN BAHAMAS GOVERNMENT BONDS

The Central Bank of The Bahamas is introducing a market based pricing formula for Bahamian dollar denominated Bahamas Government Registered Stocks (BGRS) that are traded in the secondary market. This will ensure that the yields on outstanding fixed/floating interest rate securities are equalized against new bonds with the same maturity structure.

The Central Bank facilitates over-the-counter secondary purchases and sales of securities against its own portfolio to meet the needs of domestic investors, in the absence of active private frameworks for such transactions.

Under the market pricing formula new bonds or IPOs will continue to be priced at par, with liquidity and other market conditions determining the fixed coupon rates at which these will be offered to the market. The new issuances will serve as benchmarks for the “prevailing rates”.

The new pricing mechanism will take effect on April 17, 2017.

The Central Bank will effectively re-price its securities on the 15th day of each month or on the following business day if the 15th day falls on a weekend or a holiday. The prices will be published on the Central Bank’s website at www.centralbankbahamas.com.

For example, a security holder who initially purchased a 4.5%, 20 year BGRS at par will continue to earn interest based on that 4.5% coupon. However, if he/she wished to purchase that same security today, the price would be determined by the prevailing market interest rates, and could result in a discount under or premium over par. See example in the table below:

Existing Coupon	Original Sales Price (par)	If Prevailing Market Rate is Now	Existing BGRS would sell at	Principal Due at Maturity
4.5%	\$1,000	5.4%	a Discount	\$1,000
4.5%	\$1,000	3.4%	a Premium	\$1,000
4.5%	\$1,000	4.5%	Par	\$1,000

The same is the case for security holders seeking to redeem their holdings, whether in part or in full. The Central Bank will purchase those securities at the prevailing market price, as outlined in the table above.

The Central Bank will continue to advertise upcoming sales of BGRS in the print media on Mondays and Thursdays in advance of upcoming offerings.

All comments and enquiries should be submitted via e-mail to the following address: domesticdebt@centralbankbahamas.com.

March 17, 2017