



## Market Notice

28<sup>th</sup> November, 2022

### Initial Public Offering Adjustments

The Central Bank of The Bahamas, in its role as Registrar for Bahamian Dollar denominated Government securities, continues to improve its processes to better align with international best practices and standards. The following initiatives support the Bank's progress toward achieving these standards.

#### **Initiative One—Minor Prospectus Changes**

Beginning January 2, 2023, Bahamas Registered Stock (BRS) initial public offerings (IPOs) will open and close on a single day, mirroring Treasury bill tenders. Broker dealers will accumulate customer subscriptions over multiple days prior to the IPO and book combined subscriptions with the Central Bank on the offer date (also called the "open day"). This would still allow investors sufficient time to participate, and investors may notice minor changes to the offering prospectus as a result.

#### **Initiative Two—Simplified Allocation Methodology**

The Central Bank, in cooperation with the Ministry of Finance, will change the bid allocation methodology for BRS IPOs. Beginning January 2, 2023, IPOs will no longer prioritize bids for "individual" investors who subscribe for up to \$250,000. Instead, the bid allocation process will consider (1) the bid value, (2) the total value of all valid bids, and (3) the total offering amount. The methodology will prorate allocations across all bidders (individuals and institutions). In some cases, when offers are oversubscribed, very low-value bids are less likely to receive allocations.

#### **Initiative Three—Savings Bond for Small Investors**

The Central Bank is collaborating with the Government to develop a savings bond for launch in April 2023. The purpose of the proposed savings bond is to provide smaller investors with an alternative savings vehicle that offers simpler characteristics vis-à-vis, BRS, Treasury Bills, Government agency securities, and other retail savings options. While the savings bond will incorporate some characteristics of existing Government securities, they will not trade in the secondary market, thus eliminating potential price volatility associated with conventional market principles. The Central Bank will release further details on this initiative over time.

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