MINISTRY OF FINANCE
REPUBLIC OF GHANA

FAQs

Issue 5

Wednesday
11th January 2023

Amendment to Invitation to Exchange

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1. Why are the individual investors now eligible to participate in the amended Invitation to Exchange?

- The Government believes that the terms of the amended Invitation to Exchange improve the economic terms of the original Invitation to Exchange, and would like to offer individual investors the opportunity to participate in such enhanced terms.
- In addition, although no restrictions are contemplated for the trading of the non-tendered eligible bonds ("Old Bonds"), the liquidity of Old Bonds after an exchange is usually much more limited than the liquidity of the new bonds.
- Furthermore, the market value of new bonds can potentially be higher than the value of the Old Bonds.
- Accordingly, to permit individual investors to benefit from these potential advantages of the new bonds and to address their concerns, the Government has amended the Invitation to Exchange to allow individual legal holders of record of Eligible Bonds to participate in the exchange.

2. What if I only hold a small amount of Eligible Bonds?

Offers to exchange any of the Eligible Bonds may be submitted in a minimum principal amount of GHS1.00 and integral multiples of GHS1.00 in excess thereof, in order to allow every holder to participate to the exchange, given the expected higher value of the new bonds compared to the old bonds after the exchange. Any new bonds to be issued to any Eligible Holder in the Invitation to Exchange will be in a minimum principal amount of GHS1.00 and integral multiples of GHS1.00 thereof.

3. How can an individual legal holder of record of Eligible Bonds participate in the amended Invitation to Exchange?

Individual investors, as all Eligible Holders which are not Central Security Deposit (CSD) Direct Participants can participate in the Invitation to Exchange by sending an exchange instruction to their respective CSD Direct Participant (the Depositary Participant), in the form and via the channels agreed between them. In particular, they can use any of the following avenues to participate in the Invitation to Exchange:

- Send an Offer or Exchange Instruction to the CSD Direct Participant (the Depositary Participant) via email (within the email cover), OR
- Send an Offer or Exchange Instruction to the CSD Direct Participant (the Depositary Participant) via an internal communication platform they use (if any), OR
- Download an Exchange Form from the website of the CSD (www.csd.com.gh/dde), also included as Appendix 3 in the Exchange Memorandum, complete and send it to the CSD Direct Participant (the Depositary Participant) via email or via any internal communication platform they use (if any), OR
- Obtain a hardcopy version of the Exchange Form from such holder's bank, broker or custodian (the CSD Direct Participant/ the Depositary Participant), complete it and send it back to the CSD Direct Participant (the Depositary Participant) via email, via any internal communication platform, or physically to the CSD Direct Participant's branch. CSD Direct Participants are required to make copies of the Exchange Forms at all their branches nationwide, OR
- Send an instruction in the format, or via any other standard mean of communication available, accepted by the CSD Direct Participant (the Depositary Participant).

4. Why are the holders of the 2023 bonds receiving an additional fee?

- The 2023 eligible bonds represent one third of the total bonds eligible to participate in the exchange. As such, a large number of Eligible Holders hold 2023 bonds and would therefore benefit from this fee.
- In addition, the 2023 eligible bonds were scheduled to mature during this year, similarly to T-bills which are excluded from the exchange. Given that the holders of these bonds are being asked to extend the maturities of what are now effectively short-term instruments, the Government believes it is fair to grant them an additional fee to compensate for the maturity extension.

5. What is happening with the Pension Funds?

Negotiations on the specific terms of an agreement with the Pension Funds are continuing and will be made public once an agreement on the details is reached.

6. Why has the coupon rate structure of the new bonds changed after 2025?

The amended coupon structure for the new bonds has been designed to ensure a pricing that is closer to the face value for all new bonds on the secondary markets once the yield curve would have recovered a standard shape, thus addressing a concern raised by certain banks.

7. Why are there 12 new bonds in the amended exchange instead of 4 new bonds in the initial exchange?

There was a tradeoff between fewer and larger bonds (the previous structure) with more liquidity per bond or more numerous bonds with bullet structures and lower amounts. Eligible Holders indicated a preference for the latter which has been reflected in the amended exchange.

8. What is the treatment of accrued interest in the amended exchange?

Many Eligible Holders indicated that they had already accounted for the receipt of accrued interest on the Old Bonds in their 2022 financial accounts and the tendering of the Old Bonds would require adjusted accounting treatment. In order to address these concerns, the Government has decided to proceed with paying accrued interest up to 24 January 2023 to all Eligible Holders participating in the Invitation to Exchange, in a capitalized form.

9. What happens if I do not participate in the domestic debt exchange?

The Government invites each Eligible Holder to voluntarily tender their holdings. The success of this operation is critical to restoring macro-economic stability. The Government is confident that all Ghanaians concerned will fully contribute to the collective efforts required to resolve the current crisis and put the economy back on a solid footing. Were the participation to the domestic debt exchange too low, the perennity of the Government's efforts to resolve the current crisis and the expected international financial support would be jeopardized, thus putting further strains on the Government's capacity to honor its commitments and repay its debt

Non-participating Eligible Holders will keep holding their Old Bonds, but at a deteriorated value. Indeed, the market value of new bonds is expected to be higher than the value of the Old Bonds for several reasons:

- Secondary market liquidity for Old Bonds will be limited, hence affecting market prices.
- On the contrary, the regulators have adopted a series of measure aiming to enhance the liquidity of the new bonds and supporting their market prices (access to repurchase window, access to the newly set up Financial Stability Fund, 0-risk weighting of the new bonds compared to 100% risk-weighting for the Old Bonds).
- As the macro-fiscal outlook improves, and inflation falls to single digit areas, bondholders may benefit from real returns on the new bonds.

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