



National Treasury Management Agency

Irish Treasury Bills

Information Memorandum

National Treasury Management Agency
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Annex A List of Primary Dealers and eligible ITB counterparties

This Information Memorandum sets out the main features of Irish Treasury Bills

1. Form

- (a) Irish Treasury Bills (hereinafter referred to as “ITBs”) are issued by Ireland acting through the National Treasury Management Agency (“NTMA”) under the authority contained in Section 54 of the Finance Act 1970 as amended.
- (b) ITBs are unsecured, unconditional obligations of Ireland. ITBs are eligible collateral for Eurosystem credit operations.
- (c) ITBs are zero coupon instruments issued at a discount. The nominal amount of each ITB will be paid on its maturity date.
- (d) ITBs are issued in dematerialised form with a minimum maturity of 1 day and a maximum of 364 days. ITBs will be listed on the Irish Stock Exchange. The official settlement system for ITBs is Euroclear. ITBs will be issued in euro, with a face value of one euro (€1.00).
- (e) ITBs will be issued with reference maturity dates which will, as an indication, carry maturity dates which are close to 1, 3, 6, 9, and 12 months from the settlement date. ITBs maturing on a particular maturity date will be known as a “line” and each line will carry its own ISIN code. Irrespective of their date of issuance, all ITBs of a given line will be fungible.

2. Auctions

- (a) ITBs are issued via auctions held by the NTMA. Announcements of auction schedules will be made from time to time in the light of market conditions. The frequency or pattern of ITB auctions may be adapted from time to time subject to market conditions.
- (b) The NTMA will announce ITB auctions two business days’ in advance. The announcement will indicate the date of the auction, the nominal amount of the line or lines to be auctioned, the ISIN code or codes, the settlement date, the closing time of the auction and any other information that may be relevant.
- (c) Participation in auctions is limited to recognised Primary Dealers in Irish Government Bonds and eligible ITB counterparties as set out in Annex A.

- (d) ITBs will be issued at a discount calculated according to the following formula:

$$\text{Discounted Value} = \frac{\text{Nominal Value}}{1 + (\text{interest rate}/360) \times n}$$

Where:

n = number of days from the settlement date to the maturity date

- (e) ITB auctions will consist of two phases, competitive auction and non-competitive auction. The announced nominal amount of ITBs will be offered in the **competitive phase**. In extremis, the NTMA reserves the right to issue more or less than the announced nominal amount, subject to market conditions. Bids may be submitted from 9.30 a.m. Dublin time (10.30 a.m. Central European Time) up to the deadline indicated in the auction announcement, normally 10.30 a.m. Primary Dealers and eligible ITB counterparties may submit as many bids as they require subject to the total of each of their respective bids not exceeding the nominal amount of ITBs to be auctioned. Each bid will indicate the line, the nominal amount which must be a minimum of €1,000,000 and a multiple of €100,000 thereafter, and the interest rate.
- (f) The allocation of ITBs in the competitive auction phase will be based on the single-price Dutch auction method.

When the auction deadline has passed, the auction will be closed and the NTMA will rank the bids in ascending order of the interest rate of the bids submitted. The NTMA will decide on the highest interest rate to be accepted according to the nominal amount it wishes to place in the market. All successful bids will be satisfied at the highest accepted interest rate. Bids whose interest rates are lower than or equal to the highest accepted interest rate will be satisfied at the highest accepted interest rate, unless the total amount of these bids exceeds the nominal amount that the NTMA has decided to issue via the auction. In that case bids whose interest rates are lower than the highest accepted interest rate will be satisfied in full at the highest accepted interest rate and the remaining amount will be allocated pro rata to the bids whose interest rates are equal to that rate. The pro rata allocation will be made according to the amount of each bid and in minimum lots of €100,000. In the interest of the efficient distribution of ITBs, the NTMA reserves the right in exceptional circumstances, to scale back the size of any bid even where the interest rate of that bid is below the highest accepted interest rate.

- (g) Primary Dealers and eligible ITB counterparties will be informed of their bids that have been accepted and of the overall results of the auction approximately fifteen minutes after the bid closing time, unless technical problems occur that call for contingency measures. The results of the auction, including the total amount of bids, the nominal amount issued and the highest accepted interest rate will also be announced to the market.
- (h) In the **non-competitive phase** of the auction, Primary Dealers and eligible ITB counterparties may make non-competitive bids at the highest accepted interest rate of the competitive auction on a line by line basis. Primary Dealers and eligible ITB counterparties will be entitled to bid for up to 30% of their respective successful bids in the competitive auction. Bids must be for multiples of €100,000 and may be submitted up to 4.00 p.m. Dublin time (5.00 p.m. Central European time) on the day of the competitive auction.
- (i) Settlement of the amounts allocated in the competitive and non-competitive auctions will take place on the second business day following the competitive auction date (T+2) on a delivery versus payment basis.
- (j) Unless otherwise specified in the auction announcement, the submission of bids by Primary Dealers and eligible ITB counterparties and the transmission of the results will be made electronically through the Bloomberg auction system. In the event of a Bloomberg network fault at any time during the bidding process the auction may be cancelled and all bids deemed void. An alternative arrangement will be announced as soon as possible.

3. Reverse Enquiry Process

In addition to the scheduled auctions, the NTMA may deal bilaterally with Primary Dealers and eligible ITB counterparties for ITBs on an ad hoc basis. All such deals will be transacted via Bloomberg or the NTMA's recorded telephone system.

4. Obligations of Primary Dealers and eligible ITB Counterparties

Primary Dealers and eligible ITB counterparties are required, to:

- (a) submit bids for aggregate amounts at least ten percent of the maximum amount indicated for the auction at market rates,
- (b) quote bid and offer prices in a minimum size of five million euro, for ITBs, subject to market conditions, on any one of the following

recognised electronic trading platforms: EuroMTS, BGC Partners Inc. or BrokerTec,

- (c) subject to market conditions, actively participate in the secondary market for ITBs, acting in accordance with good market practices and ensuring the liquidity, efficiency and regularity of the trading conditions of ITBs;
- (d) supply, as may be applicable and according to the form and requirements of Irish Stock Exchange, the information required for following up their activity in the secondary market and for monitoring compliance with the rules of the Irish Stock Exchange.

5. Settlement and Registration

The official settlement system for ITBs is Euroclear. The register of holders of ITBs will be kept at the NTMA. Ownership will be evidenced by entry of the name of the holder of the ITB on the register. The paying agent for ITBs is The Bank of New York Mellon. Each holder of an ITB is required to have a settlement account in Euroclear or Clearstream.

6. Taxation

All payments to holders of ITBs will be made without withholding or deduction of tax of whatever nature levied or imposed by Ireland.

Section 43 of the Taxes Consolidation Act 1997 of Ireland provides that neither capital nor interest on an ITB are liable to Irish taxation so long as it is shown that the ITB is in the beneficial ownership of a person not resident in Ireland. However, where an ITB is held by or for an Irish branch or agency through which a company carries on business in Ireland, profits or gains on an ITB will be chargeable to Irish taxation.

In general, where the holder of an ITB is an Irish resident taxpayer, the discount element payable on an ITB is assessable to income tax, whereas any gain arising on disposal or redemption of an ITB is exempt from capital gains tax. However, where the holder of an ITB resident in Ireland is dealing in ITBs as part of a trade, the holder is assessable to income tax or corporation tax, as the case may be, in respect of the discount element and any gain arising on disposal or on redemption of an ITB.

No stamp duty will be payable on the issue or transfer of an ITB provided the conditions for exemption set out in section 85(2) and section 113 of the Stamp Duties Consolidation Act 1999 are met.

7. Definitions

“business day” means a day on which the Trans European Real-Time Gross Settlement Express Transfer System (TARGET2) is open;

“Clearstream” means Clearstream Banking S.A. Luxembourg;

“Euroclear” means Euroclear Bank S.A./N.V. as operator of the Euroclear system;

“maturity date” means the date on which an ITB matures;

“settlement date” means the agreed date for the issue of an ITB.

8. EU Directive on the Taxation of Savings Income

Under the terms of Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments, each EU Member State is required to provide to the tax authorities of other Member States details of payments of interest income (as defined) paid by paying agents within its jurisdiction to individuals resident in the other Member States. The Savings Tax scheme also extends to certain dependent and associated territories of Member States. In addition, the EU has entered into agreements on savings income with certain third countries, namely, Andorra, Liechtenstein, Monaco, San Marino and Switzerland. For a transition period, Austria and Luxembourg, some of the dependent or associated territories as well as the third countries are allowed to apply a withholding tax instead of providing such information. These provisions apply in respect of relevant interest payments to individuals who are beneficial owners of an ITB.

9. Governing Law

ITBs will be governed by and construed in accordance with the laws of Ireland.

Annex A

I - List of Primary Dealers

Please refer to <http://www.ntma.ie/Publications/2011/PrimaryDealerList.pdf> for details of Primary Dealers.

II – Eligible ITB counterparties

NTMA will consider applications to become an eligible ITB counterparty from credit or financial institutions which are authorised and regulated by the Financial Regulator or by a competent authority of another EU Member State. Eligible counterparties will be listed on this link: <http://www.ntma.ie/ShortTermPaper/tbDealers.php>