



Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

IRISH TREASURY BILLS

INFORMATION MEMORANDUM

September 2018

National Treasury Management Agency

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All times referenced in this document are local times in the Dublin market.

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. The nominal amount of each ITB will be paid on its maturity date. The difference between the nominal value and the consideration paid represents the yield, expressed as a percentage of the consideration paid.
- 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 settlement system for ITBs is Euroclear. ITBs will be issued in euro, with a face value of one euro (€1.00).
- e) The nominal amount of each ITB issued will not be less than €1,000,000 and incremental amounts will normally be multiples of €100,000. 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. Issuance

- a) ITBs are issued via auctions held by the NTMA. The frequency or pattern of ITB auctions may be adapted from time to time subject to market conditions.
- b) ITB auctions will normally be held on the third Thursday of those months in which the NTMA decides to issue. The NTMA will announce details of auctions on Bloomberg page NTMA1 and on its website, www.ntma.ie, usually on the Monday before the auction date.
- c) Participation in auctions is limited to recognised Primary Dealers in Irish Government Bonds and eligible ITB counterparties. A list of counterparties may be found at this link: <http://www.ntma.ie/business-areas/funding-and-debt-management/short-term-instruments/>

d) ITBs will be issued at a discount or premium, calculated according to the following formula:

$$\text{Consideration paid} = \frac{\text{Nominal Value}}{1 + (\text{Yield}/360) \times n}$$

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

e) ITB auctions will consist of two phases, a competitive auction and a non-competitive auction. The announced nominal amount of ITBs will be offered in the competitive auction. 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 9.00 a.m. up to the deadline indicated in the auction announcement, normally 10.00 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 announced of ITBs to be auctioned. Each bid will indicate the line, the nominal amount and the yield.

f) The allocation of ITBs in the competitive auction 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 by yield of the bids submitted. The NTMA will decide on the highest yield [“Award Yield”] to be accepted dependent on the nominal amount to be issued in the market. All successful bids will be satisfied at the Award Yield. Bids whose yields are lower than, or equal to, the Award Yield will be satisfied at the Award Yield. If the total amount of these bids exceeds the total issuance amount, then bids whose yields are lower than the Award Yield will be satisfied in full at the Award Yield. The remaining amount will be allocated on a pro rata basis to the bids whose yields are equal to the Award Yield. 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 yield of that bid is below the Award Yield.

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 auction 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 Award Yield will also be announced to the market.

h) In the non-competitive auction, Primary Dealers and eligible ITB counterparties may bid at the Award Yield of the competitive auction on a line by line basis. Primary Dealers and eligible ITB counterparties will be entitled to bid for up to 20% 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. on the business 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.
- k) The NTMA may issue ITBs by means other than auction.

3. Obligations of Primary Dealers and eligible ITB Counterparties

Primary Dealers and eligible ITB counterparties are required, to:

- a) submit bids for aggregate amounts up to at least ten percent of the maximum amount indicated for each competitive auction at market rates;
- b) 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; and
- c) 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.

4. Settlement and Registration

The settlement system for ITBs is Euroclear. The register of holders of ITBs (which evidences legal title to ITBs) is kept by the Central Bank of Ireland, which also acts as paying agent in respect of ITBs.

For so long as interests in ITBs can be settled through Euroclear, the following applies:

- a) Euroclear (or its nominee) will be the only holder of ITBs permitted in the register of holders.
- b) Ireland and its paying agent will make payments on ITBs only to Euroclear for payment, according to its records, to investors with interests in ITBs.
- c) Investors in ITBs are required to have direct or (through financial intermediaries) indirect access to a settlement account in Euroclear or Clearstream in order to acquire, hold, sell or receive payment in respect of their interests in ITBs. Neither Ireland (including the NTMA) nor the Central Bank of Ireland has control over or, is responsible for, the activities of Euroclear.

5. Taxation

The material in this section is of a general nature only and is based on the provisions in force at 10 September 2018 in Ireland. Prospective investors in the ITB should consult their tax advisers as to the applicable tax laws and specific tax consequences of acquiring, holding and disposing of the Bill.

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.

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.

6. Definitions

“business day” means a day on which the Trans-European Automated 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.

“discount” = Consideration paid is less than 100% of the treasury bills’ nominal value.

“premium” = Consideration paid is greater than 100% of the treasury bills’ nominal value.

7. Governing Law and Jurisdiction

ITBs and any non-contractual obligations arising out of or in connection with the ITBs will be governed by and construed in accordance with the laws of Ireland. The Courts of Ireland will have exclusive jurisdiction in relation to any dispute that may arise out of or in connection with the ITBs.

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