

OBJECTS AND REASONS

This Bill would provide for

- (a) certain individuals and institutions holding treasury bills, treasury notes and debentures issued or guaranteed by the Government of Barbados; and
- (b) certain individuals and institutions holding certain other Barbados dollar denominated debt instruments incurred or guaranteed by the Government, state owned enterprises or Government supported entities,

to facilitate the restructuring of those instruments through the voting process set out in this Act and to bind all the affected creditors to the terms of the comprehensive debt restructuring proposals where a specified super majority of those creditors approve the proposals.

Arrangement of Sections

1. Short title
2. Interpretation
3. Statement of purpose
4. Right of instrument holders to vote on restructuring proposals
5. Acceptance of restructuring proposals by instrument holders
6. Non-acceptance of restructuring proposals by instrument holders

FIRST SCHEDULE

Specified Debt Instruments

SECOND SCHEDULE

Debt Restructuring Proposals for Individuals and Institutions

BARBADOS

A Bill entitled

An Act to provide for certain individuals and institutions holding specified debt instruments to facilitate the restructuring of those instruments through the voting process set out in this Act and to provide for related purposes.

ENACTED by the Parliament of Barbados as follows:

Short title

1. This Act may be cited as the *Debt Holder (Approval of Debt Restructuring) Act, 2018*.

Interpretation

2. In this Act

“exchange instrument” means any new debt instrument issued by the Government of Barbados in accordance with section 5(3);

“instrument holder” means a person who holds any of the specified debt instruments on the commencement of this Act;

“restructuring proposals” means the proposals set out in the Second Schedule, published on the 7th day of September, 2018 and subsequently revised, which set out the terms on which the Government proposes to issue exchange instruments to instrument holders in connection with the Government’s comprehensive debt restructuring programme;

“specified debt instruments” means the debt instruments specified in the *First Schedule*;

“state owned enterprise” means any body established by an enactment, any body or corporation which is subject to the direction and control of the Government of Barbados and any body which is fully or substantially funded by the Government of Barbados;

“voting form” means such form as is approved by the Minister for ascertaining the acceptance or non-acceptance of instrument holders of the restructuring proposals.

Statement of purpose

3. The purpose of this Act is to facilitate the comprehensive debt restructuring programme of the Government and to ensure equitable treatment among all instrument holders by giving them the opportunity to indicate their

acceptance or non-acceptance of the restructuring proposals published by the Government.

Right of instrument holders to vote on restructuring proposals

4.(1) Subject to subsection (5), the Minister shall cause a copy of the restructuring proposals, together with a voting form, to be transmitted by hand or by post to every instrument holder, including state owned enterprises, before the 5th day of October, 2018.

(2) An instrument holder may indicate acceptance or non-acceptance of the restructuring proposals by submitting the voting form to the Minister, in such manner as indicated in the restructuring proposals, on or before the 5th day of October, 2018.

(3) The votes referred to in subsection (2) shall be weighted to reflect the outstanding principal amount of all specified debt instruments owned by the instrument holder submitting the vote.

(4) For the purposes of voting under subsection (3), all instrument holders shall constitute a single class of creditor.

(5) Where specified debt instruments are held by the Government or by the Central Bank of Barbados, those instruments shall not be regarded as outstanding and they shall not be counted in the voting process prescribed in this section.

Acceptance of restructuring proposals by instrument holders

5.(1) The restructuring proposals shall be deemed to be accepted

- (a) where instrument holders holding more than 50 per cent of the aggregate outstanding principal amount of all specified debt instruments submit voting forms under section 4(2); and
- (b) where instrument holders holding more than 75 per cent of the aggregate outstanding principal amount of all specified debt instruments for which voting forms under paragraph (a) have been received, vote to approve the proposals.

(2) Where the voting thresholds specified in paragraphs (a) and (b) of subsection (1) are obtained, the restructuring proposals shall be deemed to be accepted, whether or not some instrument holders voted against the restructuring proposals or declined to exercise their right to vote.

(3) Where the restructuring proposals are accepted,

(a) the comprehensive debt restructuring shall take effect in accordance with the restructuring proposals on or before the 31st day of October, 2018;

(b) exchange instruments shall be issued to all instrument holders in accordance with the restructuring proposals; and

(c) all specified debt instruments received in the exchange shall be deemed discharged and cancelled.

Non-acceptance of restructuring proposals by instrument holders

6. Where the voting thresholds specified in paragraphs (a) or (b) of section 5 are not obtained, the instrument holders shall be deemed to have refused the restructuring proposals and the proposals shall not be binding on instrument holders who did not tender their specified debt instruments in response to the Government's offer letters.

FIRST SCHEDULE

(Section 2)

Specified Debt Instruments

1. Treasury Bills
2. Treasury Notes
3. Debentures
4. Barbados denominated loans incurred by the Government of Barbados and by state owned enterprises
5. Barbados denominated bonds issued by the Government of Barbados and by state owned enterprises
6. Barbados denominated arrears incurred or assumed by the Government of Barbados

SECOND SCHEDULE

(Section 2)

Part I

Debt Restructuring Proposals for Individuals**Introduction**

On 7 September 2018, the Government of Barbados (GoB) announced the launch of an exchange offer open to holders of Barbados dollar-denominated debt issued by the GoB and certain state-owned enterprises (SOEs), as part of its Comprehensive Debt Restructuring. The restructuring is a central pillar of the economic reform and rehabilitation programme that is being supported by the International Monetary Fund through a four-year Extended Fund Facility.

This document sets out the terms of the exchange offer that apply to **Individuals** holding Treasury Bills, Treasury Notes, and Debentures issued by the GoB. Savings Bonds are excluded from this exchange offer as they do not fall within the scope of the Comprehensive Debt Restructuring.

All holders of Treasury Bills, Treasury Notes, Debentures, loans and bonds owed by the GoB, and loans and bonds owed by SOEs and other entities that receive transfers from the Government budget ("**Affected Debt**") will receive letters during the course of the week commencing 10 September 2018 providing further details of the exchange offer, as well as instructions for participating in the exchange offer. The relevant acceptance forms must be submitted by holders of the Affected Debt no later than **5:00 pm, on Friday 5 October 2018**. It is expected that the new debt instruments ("**Exchange Instruments**") will be issued to participating holders by the end of October 2018.

Pensioners

Definition: All individuals who are of a pensionable age AND are receiving of "Pensioners" pension benefits as of 1 September 2018

Affected Debt: Holdings in ALL outstanding series of Treasury Bills, Treasury Notes, and Debentures issued by the Government of Barbados

Second Schedule - (Cont'd)

Exchange Instrument:	Affected debt to be exchanged for 11 Series A amortising strips issued by the Government of Barbados, with maturities of 5, 6, 7, 8, 9, 10, 11,12, 13, 14, and 15 years; combined face value of strips will equal that of Affected Debt exchanged, plus accrued interest (see below)	
Accrued Interest:	Capitalised through to 30 September 2018 and added to principal	
Interest Rate:	<ul style="list-style-type: none"> • 1.0% per annum for first 3 years • 2.5% per annum for year 4 • 3.75% to maturity 	
Interest Payment:	Quarterly	
Principal Repayment:	Each of the 11 strips will be repaid in equal quarterly principal installments beginning 31 December, 2019	
Allocation of Aggregate Principal Amount Amongst Strips:	5-Year: 7.49% 6-Year: 7.78% 7-Year: 8.07% 8-Year: 8.38% 9-Year: 8.70% 10-Year: 9.03%	11-Year: 9.37% 12-Year: 9.72% 13-Year: 10.10% 14-Year: 10.48% 15-Year: 10.88%

Individuals other than Pensioners

Definition: of "Individuals other than Pensioners"	1) All individuals who are NOT of a pensionable age and 2) individuals who are of a pensionable age but are NOT receiving pension benefits as of 1 September 2018
--	--

Second Schedule - (Cont'd)

Affected Debt:	Holdings in ALL outstanding series of Treasury Bills, Notes, and Debentures issued by the Government of Barbados	
Exchange Instrument :	Affected debt to be exchanged for 11 Series B amortising strips issued by the Government of Barbados, with maturities of 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, and 15 years; combined face value of strips will equal that of Affected Debt exchanged, plus accrued interest (see below)	
Accrued Interest:	Capitalised through to 30 September 2018 and added to principal	
Interest Rate:	<ul style="list-style-type: none"> • 1.0% per annum for first 3 years • 2.5% per annum for year 4 • 3.75% to maturity 	
Interest Payment:	Quarterly	
Principal Repayment:	The principal of each strip will be repaid in four equal quarterly instalments commencing one year prior to the maturity date of that strip	
Allocation of Aggregate Principal Amount Amongst Strips:	5-Year: 7.49%	11-Year: 9.37%
	6-Year: 7.78%	12-Year: 9.72%
	7-Year: 8.07%	13-Year: 10.10%
	8-Year: 8.38%	14-Year: 10.48%
	9-Year: 8.70%	15-Year: 10.88%
	10-Year: 9.03%	

Second Schedule - (Cont'd)

Natural Disaster Clause

The Exchange Instruments to be issued to individuals as part of the GoB's exchange offer will include a clause that would offer both creditors and the Government some protection against future debt distress caused by a major natural disaster.

This 'natural disaster' clause would allow for the capitalisation of interest and the deferral of scheduled amortisations falling due over a two-year period following the occurrence of a major natural disaster. The trigger for a natural disaster 'event' would be a payout to the Government above a predetermined threshold by the Caribbean Catastrophe Risk Insurance Facility (CCRIF), under the Government's catastrophe insurance policy.

Full details will be provided in the offer letters to holders of the Affected Debt.

Second Schedule - (Cont'd)

Part II

Debt Restructuring Proposals for Institutions

Introduction

On 7 September 2018, the Government of Barbados (GoB) announced the launch of an exchange offer open to holders of Barbados dollar-denominated debt issued by the GoB and certain state-owned enterprises (SOEs), as part of its Comprehensive Debt Restructuring. The restructuring is a central pillar of the economic reform and rehabilitation programme that is being supported by the International Monetary Fund through a four-year Extended Fund Facility.

This document summarises the terms of the exchange offer that apply to **Institutions** holding Treasury Bills, Treasury Notes, Debentures, Loans, and Bonds issued or owed by the GoB, as well as Loans and Bonds issued or owed by SOEs and entities that receive transfers from the Government budget ("**Eligible SOEs**").

All holders of Treasury Bills, Treasury Notes, Debentures, loans and bonds owed by the GoB, and loans and bonds owned by Eligible SOEs ("**Affected Debt**") will receive letters during the course of the week commencing 10 September 2018 providing further details of the exchange offer, as well as instructions for participating in the exchange offer. The relevant acceptance forms must be submitted by holders of the Affected Debt no later than **5:00 pm, on Friday 5 October 2018**. It is expected that the new debt instruments ("**Exchange Instruments**") will be issued to participating holders by the end of October 2018.

Description of Exchange Instruments

Liquidity Reserve Fund Treasury Bills

Structure:	90-day Treasury Bill issued by the Government of Barbados
Interest Rate:	<ul style="list-style-type: none"> • 0.5% per annum for first 10 years • Market rates thereafter
Natural Disaster Clause:	No

*Second Schedule - (Cont'd)***Series B**

Structure:	11 Series B amortising strips issued by the Government of Barbados, with maturities of 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, and 15 years												
Interest Rate:	<ul style="list-style-type: none"> • 1.0% per annum for first 3 years • 2.5% per annum for year 4 • 3.75% to maturity 												
Interest Payment:	Quarterly												
Principal Repayment:	The principal of each strip will be repaid in four equal quarterly instalments commencing one year prior to the maturity date of that strip												
Allocation of Aggregate Principal Amount Amongst Strips:	<table> <tr> <td>5-Year: 7.49%</td> <td>11-Year: 9.37%</td> </tr> <tr> <td>6-Year: 7.78%</td> <td>12-Year: 9.72%</td> </tr> <tr> <td>7-Year: 8.07%</td> <td>13-Year: 10.10%</td> </tr> <tr> <td>8-Year: 8.38%</td> <td>14-Year: 10.48%</td> </tr> <tr> <td>9-Year: 8.70%</td> <td>15-Year: 10.88%</td> </tr> <tr> <td>10-Year: 9.03%</td> <td></td> </tr> </table>	5-Year: 7.49%	11-Year: 9.37%	6-Year: 7.78%	12-Year: 9.72%	7-Year: 8.07%	13-Year: 10.10%	8-Year: 8.38%	14-Year: 10.48%	9-Year: 8.70%	15-Year: 10.88%	10-Year: 9.03%	
5-Year: 7.49%	11-Year: 9.37%												
6-Year: 7.78%	12-Year: 9.72%												
7-Year: 8.07%	13-Year: 10.10%												
8-Year: 8.38%	14-Year: 10.48%												
9-Year: 8.70%	15-Year: 10.88%												
10-Year: 9.03%													
Natural Disaster Clause:	Yes												

Series C

Structure:	11 Series C amortising strips issued by the Government of Barbados, with maturities of 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, and 15 years
------------	--

Second Schedule - (Cont'd)

Interest Rate:	<ul style="list-style-type: none"> • 1.0% per annum for first 3 years • 2.5% per annum for year 4 • 3.75% to maturity 												
Interest Payment:	Quarterly												
Principal Repayment:	The principal of each strip will be repaid in four equal quarterly instalments commencing one year prior to the maturity date of that strip												
Allocation of Aggregate Principal Amount Amongst Strips:	<table> <tr> <td>5-Year: 7.49%</td> <td>11-Year: 9.37%</td> </tr> <tr> <td>6-Year: 7.78%</td> <td>12-Year: 9.72%</td> </tr> <tr> <td>7-Year: 8.07%</td> <td>13-Year: 10.10%</td> </tr> <tr> <td>8-Year: 8.38%</td> <td>14-Year: 10.48%</td> </tr> <tr> <td>9-Year: 8.70%</td> <td>15-Year: 10.88%</td> </tr> <tr> <td>10-Year: 9.03%</td> <td></td> </tr> </table>	5-Year: 7.49%	11-Year: 9.37%	6-Year: 7.78%	12-Year: 9.72%	7-Year: 8.07%	13-Year: 10.10%	8-Year: 8.38%	14-Year: 10.48%	9-Year: 8.70%	15-Year: 10.88%	10-Year: 9.03%	
5-Year: 7.49%	11-Year: 9.37%												
6-Year: 7.78%	12-Year: 9.72%												
7-Year: 8.07%	13-Year: 10.10%												
8-Year: 8.38%	14-Year: 10.48%												
9-Year: 8.70%	15-Year: 10.88%												
10-Year: 9.03%													
Natural Disaster Clause:	No												

Series D

Structure:	20 Series D amortising strips issued by the Government of Barbados, with maturities in each of years 16-35
Interest Rate:	<ul style="list-style-type: none"> • 1.5% per annum for first 5 years • 4.25% per annum for years 6-10 • 6.0% per annum for years 11-15 • 7.5% per annum until maturity
Interest Payment:	Quarterly
Principal Repayment:	The principal of each strip will be repaid in four equal quarterly instalments commencing one year prior to the maturity date of that strip
Principal Allocation Per Strip:	5% of aggregate principal per strip
Natural Disaster Clause:	Yes

*Second Schedule - (Cont'd)***Series E**

Final Maturity:	30 September, 2043
Face Value Reduction:	37.5%
Interest Rate:	
• Issuance through year 3	4%
• Years 4-Maturity	8%
Interest Payment:	Monthly, beginning 30 November, 2018
Interest Accrual Begins:	30 September, 2018
Principal Repayment:	Principal will be repaid in monthly, level installments of principal and interest which will begin on 31 October, 2023 after a five year grace period on principal
Natural Disaster Clause:	Yes

Series F

Final Maturity:	30 September, 2022
Interest:	None
Principal Repayment:	Principal will be repaid in 42 equal monthly installments of principal and interest after a six-month grace period.
Natural Disaster Clause:	Yes

*Second Schedule - (Cont'd)***Series G**

Final Maturity:	Existing Instruments to be exchanged for 35 Series G amortising strips with maturities of 16-50 years
Interest Rate:	
• Issuance through year 15	4.0%
• Years 16-20	6.0%
• Years 21-25	7.5%
• Years 26-Maturity	8.0%
Interest Capitalization:	100% for first five years
Interest Payment:	Quarterly, with first cash payment on 31 October 2023
Principal Repayment:	Each of the 35 strips will be repaid in four equal quarterly installments in the final year prior to maturity commencing 31 October 2033 with the exception of the final strip, which will be repaid in three installments, with a final payment on 31 July 2068
Allocation of Aggregate Principal Amount Amongst Strips:	Equal amounts
Natural Disaster Clause:	Yes

*Second Schedule - (Cont'd)***Natural Disaster Clause**

The Exchange Instruments to be issued to institutions as part of the GoB's exchange offer as Series B and Series D instruments will include a clause that would offer both creditors and the Government some protection against future debt distress caused by a major natural disaster.

This 'natural disaster' clause would allow for the capitalisation of interest and the deferral of scheduled amortisations falling due over a two-year period following the occurrence of a major natural disaster. The trigger for a natural disaster 'event' would be a payout to the Government above a predetermined threshold by the Caribbean Catastrophe Risk Insurance Facility (CCRIF), under the Government's catastrophe insurance policy.

Full details will be provided in the offer letters to holders of the Affected Debt.

Eligibility**Banks**

Liquidity Reserve	
Fund Treasury Bills:	15% of Treasury Bills, Treasury Notes, and Debentures held as part of banks' reserve requirements as of 30 September 2018
Series B:	85% of Treasury Bills, Treasury Notes, and Debentures held as part of banks' reserve requirements as of 30 September 2018
Series D:	All other loans and bonds owed by the GoB and Eligible SOEs
Past Due and Accrued Interest:	Past due and accrued interest through to 30 September 2018 to be capitalised and added to principal (purchase price of Treasury Bills will be basis for calculation of accrued interest)
Non-Eligible SOEs:	Government guarantees to be lifted

*Second Schedule - (Cont'd)***Life Insurers**

Series B:	15% of Treasury Notes and Debentures
Series D:	85% of Treasury Notes and Debentures, and all other loans and bonds owed by the GoB and Eligible SOEs
Past Due and Accrued Interest:	Past due and accrued interest through to 30 September 2018 to be capitalised and added to principal
Non-Eligible SOEs:	Government guarantees to be lifted

General Insurers

Series C:	100% of Treasury Bills, Treasury Notes, and Debentures
Series D:	All other loans and bonds owed by the GoB and Eligible SOEs
Past Due and Accrued Interest:	Past due and accrued interest through to 30 September 2018 to be capitalised and added to principal
Non-Eligible SOEs:	Government guarantees to be lifted

Other Institutions: Group 1

Definition: of "Other Institutions"	Charities, churches, cooperatives, credit unions, and trust companies
Series B:	All Treasury Bills, Treasury Notes, and Debentures
Past Due and Accrued Interest:	Past due and accrued interest through to 30 September 2018 to be capitalised and added to principal

Other Institutions: Group 2

Definition: of "Other Institutions"	All institutions that are not banks, life or general insurers, or classified under Other Institutions Group 1
--	---

Second Schedule - (Concl'd)

Series B:	All Treasury Bills
Series D:	All Treasury Notes, Debentures, and loans and bonds owed by the GoB and Eligible SOEs
Past Due and Accrued Interest:	Past due and accrued interest through to 30 September 2018 to be capitalised and added to principal

Eligibility

National Insurance Scheme (Series E), Eligible arrears holders (Series F), and Sagicor Group (Series G)

SOE Classification

Eligible SOEs	Barbados Conference Services Limited
	Barbados Water Authority
	Barbados Tourism Authority
	Barbados Transport Board
	Barbados Industrial Development Corporation
	Queen Elizabeth Hospital
	Southern Meats
	Caribbean Broadcasting Corporation
	New Life Investment Corporation
	National Housing Corporation
	University of West Indies

NOTE: Bullet bond issued by Needham's Point (non-Eligible SOE) maturing in 2021 to be reprofiled on bespoke terms or exchanged for Series D instruments if no bespoke solution is agreed with creditors by expiry of the exchange offer

Read three times and passed the House of Assembly this
day of _____, 2018.

Speaker

Read three times and passed the Senate this _____ day of
, 2018.

President