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
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 29\textsuperscript{th} 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 29\textsuperscript{th} 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 Monday 29 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 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: • 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% 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%

Individuals other than Pensioners

Definition: 1) All individuals who are NOT of a pensionable age and of “Individuals other than Pensioners”  
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: • 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

<table>
<thead>
<tr>
<th>Allocation of Principal Amount Amongst Strips:</th>
<th>5-Year: 7.49%</th>
<th>11-Year: 9.37%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate</td>
<td>6-Year: 7.78%</td>
<td>12-Year: 9.72%</td>
</tr>
<tr>
<td>Principal Amount</td>
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<td></td>
</tr>
<tr>
<td>10-Year: 9.03%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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 Monday 29 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: | • 0.5% per annum for first 10 years  
| | • Market rates thereafter |
| Natural Disaster Clause: | No |
**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:
- 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
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: • 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: 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 D

Structure: 20 Series D amortising strips issued by the Government of Barbados, with maturities in each of years 16-35

Interest Rate: • 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
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
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 Affecte 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: 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: 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.