

2023/04/27

OBJECTS AND REASONS

This Bill would amend the *Barbados Optional Savings Bonds Plus (Offer to the Public) Act, 2022* (Act 2022-13) to make provision for deferment of the payment of the amortizations and interest due on bonds on the occurrence of a natural disaster or a pandemic event.

Arrangement of Sections

1. Short title
2. Insertion of new sections 9A and 9B into Act 2022-13

BARBADOS

A Bill entitled

An Act to amend the *Barbados Optional Savings Bonds Plus (Offer to the Public) Act, 2022* (Act 2022-13).

ENACTED by the Parliament of Barbados as follows:

Short title

1. This Act may be cited as the *Barbados Optional Saving Bonds Plus (Offer to the Public) (Amendment) Act, 2023*.

Insertion of new sections 9A and 9B into Act 2022-13

2. *The Barbados Optional Savings Bonds Plus (Offer to the Public) Act, 2022 (Act 2022-13) is amended by inserting immediately after section 9 the following:*

“Natural Disaster Deferment

9A.(1) Where a natural disaster has occurred in respect of which a policy payment was made to the Government under the CCRIF Policy and subject to subsection (2), the Government may elect to defer the payment of the principal amortizations and interest payments to holders of the bond on date of payment under the bond.

(2) The Government shall be entitled to defer the payment of the principal amortizations and interest payments falling due on bonds following the occurrence of a natural disaster for the consecutive 2 year period immediately after the submission of a deferral claim by the Government to the holders of the bond or for the consecutive 2 year immediately from and including the next interest payment date after a deferral claim was submitted by the Government to the holders of the bond where

- (a) the CCRIF Policy is in effect and CCRIF has issued a written report confirming that the natural disaster is an insured event in respect of which a CCRIF Policy Payment has been made to Barbados;
- (b) neither the coverage limit nor exhaustion point applicable to the insured event has been reduced by CCRIF and CCRIF has

declined a request submitted by Barbados to CCRIF to maintain such coverage limit or exhaustion point, as the case may be; and

- (c) the referenced modelled loss to Barbados from the natural disaster is greater than \$10 million.
- (3) The deferred payment amount shall remain outstanding and shall continue to accrue interest in manner set out in subsection (4).
- (4) The portion of the deferred payment amount that is comprised of interest shall be capitalized and added to the principal as each interest payment falls due under the terms of the bond after the relevant deferral date and as that interest is converted into principal, the principal amount of the bond shall be increased in the amount of the deferred interest.
- (5) Beginning with the next payment date following a deferral date, each remaining principal amortization of the bond, shall be
- (a) paid as a single payment if the original maturity was a single payment; or
 - (b) increased by an amount equal to a pro rata portion of principal that is being deferred on the deferral date, taking into account the number of remaining principal amortization payments of that bond.
- (6) Upon electing to defer the payment of the deferred payment amount, the Government shall at its own expense provide notice thereof to be known as a "deferral claim" to the bond holders.
- (7) The deferral claim, referred to in subsection (6), shall in relation to the bonds, describe in reasonable detail the particulars of the natural disaster.
- (8) The Government shall be entitled to make no more than 3 deferral claims under each bond.
- (9) For the purposes of this section,

“CCRIF” means CCRIF SPC, formerly, the Caribbean Catastrophe Risk Insurance Facility, or any successor thereof, with whom the Government of Barbados has entered into the CCRIF Policy;

“CCRIF Policy” means the Parametric Insurance Contract which the Government of Barbados has entered into with CCRIF to insure against risks of earthquake, tropical cyclone and excess rainfall, including any documents incorporated by reference therein and any attachments, annexes, appendices or supplements thereto, including but not limited to the applicable coverage summary and associated loss curve data spreadsheet, as such CCRIF Policy may be amended or supplemented from time to time;

“coverage limit” has the meaning assigned to it by the CCRIF Policy;

“deferral date” means the payment date under the relevant bond next following submission of a deferral claim;

“deferred payment amount” means all principal amortizations and interest payments falling due on bonds for the consecutive 2 year period immediately following the deferral date;

“exhaustion point” has the meaning assigned to it by the CCRIF Policy;

“insured event” means a natural disaster which is covered by the CCRIF Policy;

“natural disaster” means an earthquake, a tropical cyclone or excess rainfall as defined by the CCRIF Policy;

“referenced modelled loss” means the loss in respect of a natural disaster calculated under the CCRIF Policy as in effect on the closing date, using the relevant return period applicable to the natural disaster and when calculating the reference modelled loss, the return period applicable to the natural disaster, if not divisible by 5, shall be rounded down to the nearest number that is divisible by 5; and

“return period”, in relation to years, means the return period applicable to the natural disaster in accordance with the relevant provisions of the model and formulae described in the CCRIF Policy.

Pandemic Event Deferment

9B.(1) Where a pandemic event has occurred, subject to subsection (2), the Government may elect to defer the payment of the principal amortizations and interest payments to holders of the bond on date of payment under the bond.

(2) The Government shall be entitled to defer the payment of the principal amortizations and interest payments falling due on bonds following the occurrence of a pandemic event for the consecutive 2 year period immediately after the submission of a deferral claim by the Government to the holders of the bond.

(3) The deferred payment amount shall remain outstanding and shall continue to accrue interest in manner set out in subsection (4).

(4) The portion of the deferred payment amount that is comprised of interest shall be capitalized and added to the principal as each interest payment falls due under the terms of the bond after the relevant deferral date and as that interest is converted into principal, the principal amount of the bond shall be increased in the amount of the deferred interest.

(5) Beginning with the next payment date following a deferral date, each remaining principal amortization of the bond, shall be

- (a) paid as a single payment if the original maturity was a single payment; or
- (b) increased by an amount equal to a pro rata portion of principal that is being deferred on the deferral date, taking into account the number of remaining principal amortization payments of that bond.

(6) Upon electing to defer the payment of the deferred payment amount, the Government shall at its own expense provide notice thereof to be known as a "deferral claim" to the bond holders.

(7) The deferral claim, referred to in subsection (6), shall in relation to the bonds, describe in reasonable detail the particulars of the pandemic event.

(8) The Government shall be entitled to make no more than 3 deferral claims under each bond.

(9) For the purposes of this section,

"deferral date" means the payment date under the relevant bond next following submission of a deferral claim;

"deferred payment amount" means all principal amortizations and interest payments falling due on bonds for the consecutive 2 year period immediately following the deferral date;

"pandemic event" means the occurrence of the following sequence of events after the issuance date of the relevant bonds:

(a) the World Health Organization declares a Public Health Emergency of International Concern, as defined in the International Health Regulations of the World Health Organization, with respect to any disease that grants such disease phase 6 status, or any other categorization as the WHO may use to describe an active ongoing pandemic from time to time excluding the continuation of the COVID-19 pandemic in the form of the current variants of COVID-19 existing as at the date of the issuance of the relevant bonds;

(b) a public health emergency has been declared under section 28A of the *Emergency Management Act, Cap. 160A*; and

(c) either

- (i) the occurrence of a real GDP contraction over 2 consecutive quarters, which in aggregate results in a contraction of at least 5 per cent of real GDP relative to the same 2 quarters in the previous fiscal year based on estimated realized GDP at constant prices for the current year and provisional realized GDP at constant prices for the prior year, as published by the Central Bank of Barbados and reported to at least one of the International Monetary Fund or the World Bank; or
- (ii) the events described in paragraphs (a) and (b) result in the Government of Barbados approving and enacting legislation to increase governmental spending directly relating to the relevant Public Health Emergency of International Concern and the measures taken by the Government of Barbados in response that is at least equal to \$37 500 000,

and for the purposes of (ii), any reduction in budgeted Government spending as a result of payments due under the bonds being deferred as a result of a pandemic event occurring shall be disregarded when determining whether an increase in governmental spending has been approved; and

“real GDP” means the gross domestic product of Barbados at constant prices as adjusted for inflation.”.