

2021-09-21

DEBT SETTLEMENT (ARREARS) ACT, 2021

OBJECTS AND REASONS

This Bill would enable the Government of Barbados to settle its obligations due to certain persons and make provision for the creation and issuance of Series J Bonds to those persons.

DEBT SETTLEMENT (ARREARS) ACT, 2021

Arrangement of Sections

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SCHEDULE

BARBADOS

A Bill entitled

An Act to enable the Government of Barbados to settle its obligations due to certain persons and make provision for the creation and issuance of Series J Bonds to those persons.

ENACTED by the Parliament of Barbados as follows:

Short title

1. This Act may be cited as the *Debt Settlement (Arrears) Act, 2021*.

Interpretation

2. In this Act,

“Natural Disaster Clause” has the meaning assigned to it in the *Schedule*;

“Series J Bonds” means the bonds described in the *Schedule* issued by the Government of Barbados.

Purpose

3. The purpose of this Act is to provide for the creation and issuance of Series J Bonds in settlement of

- (a) obligations of the Crown to persons whose lands were acquired under the *Land Acquisition Act*, Cap. 228 before 30th September, 2018;
- (b) obligations of the Crown to persons in respect of causes or legal claims instituted against the Crown before 30th September, 2018; and
- (c) Barbados denominated arrears incurred or assumed by the Crown before 30th September, 2018.

Creation of Series J Bonds

4. The Government of Barbados shall create Series J Bonds on the terms and conditions set out in the *Schedule*.

Issuance of Series J Bonds

5. The bonds created under section 4 shall be issued to
 - (a) a person whose land was acquired by the Crown under the *Land Acquisition Act*, Cap. 228 before 30th September, 2018 and no

compensation has been paid or fully satisfied in respect of the compulsory acquisition of the land;

- (b) a person whose cause or legal claim instituted against the Crown before 30th September, 2018 has not been satisfied; and
- (c) any outstanding liabilities prior to 30th September, 2018.

Prepayment of principal

6. The Government may, with not less than 15 days prior written notice to the instrument holder, prepay

- (a) part of; or
- (b) all of,

any unpaid principal and unpaid accrued interest up to the date of such prepayment on the bonds.

SCHEDULE

(Sections 2 and 4)

Series J Bonds

Maturity:	42 months from the date of issuance
Interest Rate:	None
Principal Repayment:	Principal will be repaid in 42 equal monthly instalments
Natural Disaster Clause:	Yes

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

- (a) This natural disaster clause applies following the occurrence of any Caribbean Earthquake Event, Caribbean Tropical Cyclone Event or Covered Area Rainfall Event covered in the Caribbean Catastrophe Risk Insurance Facility (CCRIF) Policy, in respect of which a Policy Payment has been made to Barbados, and subject to paragraph (d) below, Barbados may elect to defer payment of the Deferred Payment Amount on a Deferral Date. Any such Deferred Payment Amount shall remain outstanding and shall continue to accrue interest in accordance with paragraph (c) below.
- (b) Beginning with the next Payment Date following a Deferral Date, each remaining principal amortization of the Affected Series will be 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 Affected Series.
- (c) The portion of a Deferred Payment Amount that is comprised of interest will be capitalized and added to principal as each such interest payment falls due under the terms of the Affected Series after the relevant Deferral Date. As such interest is converted into principal, the principal amount of the Affected Series shall be increased in the amount of such deferred interest.
- (d) Barbados shall be entitled to defer the Deferred Payment Amount following the occurrence of an Event only if all of the following conditions are satisfied:
 - (i) the CCRIF Policy is in full force and effect and CCRIF has issued a written report confirming that the Event is an Insured Event in respect of which a Policy Payment has been made to Barbados;
 - (ii) since the 22nd day of April, 2021, neither of the Coverage Limit or the Exhaustion Point applicable to earthquakes, tropical cyclone or excess rainfall has been reduced, unless it 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

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

- (iii) the Modelled Loss (as defined below), in the case of a Caribbean Earthquake Event or Caribbean Tropical Cyclone Event, or the Rainfall Index Loss, in the case of a Covered Area Rainfall Event, to Barbados from the Event is greater than U.S.\$5 million.

Upon electing to defer the Deferred Payment Amount, Barbados shall at its own expense provide notice thereof (a "Deferral Claim") to the Holders as provided in the Notices provision of the relevant Affected Series, describing in reasonable detail the particulars of the Event giving rise to the right to make such Deferral Claim. Barbados shall be entitled to make no more than three Deferral Claims under each Affected Series.

- (e) For purposes of this clause,

"Affected Series" means any series of Government of Barbados BBD-denominated debt securities that incorporates by reference this Natural Disaster Clause;

"Caribbean Earthquake Event", "Caribbean Tropical Cyclone Event", "Covered Area Rainfall Event", "Coverage Limit", "Exhaustion Point", "Insured Event", "Policy Payment" and "Rainfall Index Loss" have the meanings given to those terms in the CCRIF Policy;

"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 dated 1st June, 2020 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;

*Schedule - (Concl'd)***Natural Disaster Clause - (Concl'd)**

"Deferral Claim", in respect of an Event, has the meaning given to that term in paragraph (d) of this clause;

"Deferral Date" means the Payment Date under the relevant series next following submission of a Deferral Claim;

"Deferred Payment Amount" means all principal amortizations and interest payments falling due on an Affected Series for the consecutive two-year period immediately following the Deferral Date;

"Modelled Loss" has the meaning given to that term in the CCRIF Policy, provided that if the Modelled Loss from an Event is more than 10.0% higher than the Reference Modelled Loss, "Modelled Loss" for purposes of subclause (d)(iii) and the definition of "Deferral Date" in this clause will be the Reference Modelled Loss;

"Payment Date", for any Affected Series, means the dates specified for the payments of interest and/or principal thereunder;

"Reference Modelled Loss" means the Modelled Loss in respect of an Event, calculated under the CCRIF Policy as in effect on the Closing Date, using the relevant Return Period (years) applicable to the Event. When calculating the Reference Modelled Loss, the Return Period (years) applicable to the Event, if not divisible by 5, shall be rounded down to the nearest number that is divisible by 5;

"Return Period", in relation to years, means the return period applicable to the Event as that term is used in the model and formulae detailed in the CCRIF Policy.