

What is the National Debt Exchange Offer (NDX)?

On February 12, 2013 the Government of Jamaica (GoJ) announced the launch of the National Debt Exchange Offer (NDX), which is an exchange of debt instruments between the government and creditors on the local market.

This transaction is a critical part of the Government's economic programme and is an essential step in finalizing an agreement with the International Monetary Fund.

More details on the National Debt Exchange Offer (NDX) can be found in the [National Debt Exchange Offer Memorandum 2013](#)

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Why is GoJ proposing this transaction?

Jamaica's present debt structure and fiscal stance are not sustainable. In order to put the country's debt on a sustainable path, the government has embarked on a programme that includes less spending, increased revenue and reduced debt cost. All of these items play a role in executing Jamaica's economic reform programme.

This transaction allows the GOJ to lower the cost of Jamaica's debt service and extend maturity to lower refinancing risk.

Who is eligible to participate?

Jamaican residents who hold domestic debt.

How big will the transaction be?

Approxiamately, J\$860 billion or the full amount of marketable domestic debt of the GoJ.

What is the timeline for the transaction?

NDX was launched on **February 12, 2013**.

NDX expires on **February 21, 2013**.

The expected announcement of results and settlement is **February 22, 2013**.

What instruments are being exchanged in this transaction?

Locally issued bonds denominated in Jamaican dollars, including Fixed Rate (FR), Variable Rate (VR) and CPI index bonds, as well as locally issued bonds denominated in US dollars.

What are the new instruments?

New locally issued bonds in FR, VR, CPI-indexed and US dollar format. Additionally, a new bond called “FRAN” (Fixed Rate Accreting Note), with an accreting amortization structure, is included. New one year bonds in Jamaican and US currency will be available to smaller holders owning VR, FR and US\$ Notes maturing in 2013 & 2014 who may opt for New Retail Notes.

What is FRAN and how does it work?

Holders who choose the FRAN (Fixed Rate Accreting Note) will receive \$80 principal for \$100 exchanged, and the interest rate will be fixed at 10% on the then principal of the note. The principal of the notes will accrete, or grow, to \$100 over the life of the note and at maturity will pay out \$100.

Starting at August 2015, the principal accretes at 0.50% per six months until 2012; 1.00% per six months until 2027; 1.50% accretion per six months until maturity.

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This instrument was designed for use by certain state-owned companies and is not expected to generally appeal to investors given the complex structure.

Why wasn't the external debt included?

The country needs the external markets to rapidly reopen to the government and other agents in the economy.

The government plans to actively manage Jamaica's external bonds going forward.

What consideration do I receive in the exchange offer?

It is par-for-par. Each \$100 of Old Bonds will be exchanged for J\$100 New Bonds. There will be no reduction in the principal.

In the case of the FRAN, you would receive only \$80 FRAN for each \$100 of old Notes.

If you exchange US\$100 bonds for the new CPI-indexed 2040 bond, you will receive the equivalent Jamaican dollar value of the bonds using the Jamaican dollar/US dollar exchange rate announced on February 20, 2013.

Why should I accept this transaction and what are the implications if I don't?

If bond holders refuse to participate in the NDX Offer there will be no international support, including the arrangement with the International Monetary Fund (IMF) and this will negatively affect the Government's economic reform programme. Everyone will be much worse off.

How can the Government of Jamaica use the funds secured from the IMF?

Jamaica needs the IMF funds for Balance of Payments support and reserve buffers. In addition, achieving an IMF programme will also unlock additional international support for low cost budget financing.

What is the conditionality of the support with regard to the National Debt Exchange offer?

Without a successful exchange offer, there will be no IMF Programme.

Why do 100% of bondholders need to participate in NDX?

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Without reaching this target, the government will not meet cost savings targets required by the IMF.

What will happen if some investors don't take up the offer?

The GoJ expects virtually all holders to accept the transaction based upon the communal interest in achieving the shared benefits. The government will actively address non-participation if there is any.

International credit ratings agencies may call this transaction a Selective Default. What is the Government's position on this?

It is expected that certain international credit rating agencies will temporarily assign a Selective Default (SD) rating to Jamaica's instruments as a result of this domestic exchange offer. This SD rating would be expected to be released following the closing of the transaction.

This transaction is not a default of any kind. All investors will receive an equal principal of new bonds and be paid accrued interest.

The IMF Programme and Jamaica's debt reduction activities will set the stage for credit rating upgrades in the future as Jamaica's debt falls and surpluses increase.

How can bondholders be sure the GoJ will stay on track with this programme?

Three mechanisms will be used to ensure that this programme stays on track:

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Enhanced targeting and front-loaded deliverables in programme design

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Establishment of a Programme Compliance Office in the Ministry of Finance

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Establishment of an Oversight Committee with representatives from major creditors, the private sector and trade unions.

How do I accept the offer?

Submissions can be made electronically at www.bondcompro.com/jamaica .

If you are an individual holder, please contact your bank, broker, or other party with whom you hold your bonds. They will assist you in participating.

If you are a dealer, bank or other financial institution with Principal Accounts in

National Debt Exchange (NDX) Investor Q&A

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JamClear-CSD, you will participate via the transaction website: www.bondcompro.com/jamaica

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If you hold a Principal Account, you should receive an email from the Bank of Jamaica/JamClear-CSD which contains your User ID (this User ID will be the same as your e-mail address), a discrete password and the link to the Offer website where you can submit your Direct Participant Offer. Full instructions will be provided on the [website of the Ministry of Finance](#)

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Where may I find more information about the offering?

All materials regarding this transaction will be available on the [Ministry of Finance and Planning website](#)

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Additionally, everyone is advised to contact their broker/dealer with any specific questions they may have.