



**DEPARTMENT OF TREASURY
(Financial Evaluation Division)**

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Information for Registered Bidders

Seeking Advice from Department of Treasury and BPNG Staff

Some registered bidders have asked for advice from Department of Treasury and Bank Papua New Guinea staff about expected yields in auctions, and detailed results of auctions.

Treasury and BPNG wish to keep the market fully and fairly informed, as well as maintain competitive and fair auctions.

Registered Bidders should feel free to ask Treasury and BPNG staff about technical details regarding the Information Memorandum, or settlement, registration and confirmation processes. If a Registered Bidder asks a fair question about an issue not covered in the Information Memorandum then Treasury will notify all Registered Bidders and the Question and Answer will be posted on Treasury's website under the Public Debt folder.

Any public announcements about debt management auctions, including the results of the auction will be sent to all bidders and posted on Treasury's website. For example BPNG's website has information on government securities: <http://www.bankpng.gov.pg/govtsecurities/index.htm> ; and Treasury's website has media releases, the debt management policy, the Inscribed Stock information memorandum and other debt management announcements at: <http://www.treasury.gov.pg/>

However Treasury and BPNG staff are barred from answering any question that would give any Registered Bidder an unfair advantage or reduce competition in the market.

For example, Department of Treasury and BPNG staff are not allowed to give advice to Registered Bidders regarding expected yields in auctions, the expected or actual participation of registered bidders in auctions, or the results of individual bids. All registered bidders should seek their own professional, independent advice on expected yields or the competition regarding government securities.

This simple approach aims to strike an appropriate balance between keeping registered bidders fully informed and orderly and keeping markets fair and competitive.

I have attached below for your information a question and answer regarding the setting of Coupons and Yields.

Question: How are Coupons set?

Answer: Treasury sets the Coupons of Inscribed Stock, after consultation with BPNG and Registered Bidders. The Coupons are chosen so that:

- *over a year or longer, the average yields of winning bids will result in neither large discounts or premiums; and*
- *Coupons do not change often, so Treasury is able to re-issue into existing Inscribed Stock series. Inscribed Stock with the same maturity will have the same coupon, and therefore be more easily traded*

The level of Coupons is reviewed each quarter by Treasury.

Treasury does not set Coupons in order to influence market yields.

Market yields are one of the variables that influence the Coupon chosen by Treasury.

Treasury is a price-taker in auctions, and will accept the yields of the winning bids as long as the auctions are competitive, well informed, orderly and fair.

Question: How are yields set?

Answer: Yields are determined by competitive, fair auctions. Treasury is a price-taker, and aims to hold competitive, well informed, orderly and fair auctions. We rely on competition to produce the lowest possible cost of funds for Government.

To help market participants be well informed Treasury follows a predictable, transparent issuance plan; and publishes the results.

If you have any questions please do not hesitate to contact me on 3288741 or Mrs Evelyn Kua, Acting Assistant Secretary Domestic Debt on 3288744 or email aloysius_hamou@treasury.gov.pg or evelyn_kua@treasury.gov.pg

Yours sincerely,



Aloysius Hamou
First Assistant Secretary
Department of Treasury