



Government of the Republic of Trinidad and Tobago

MINISTRY OF FINANCE

March 2nd, 2016

MEDIA RELEASE

Response to article published in the Trinidad and Tobago Sunday Guardian on February 28, 2016

The Ministry of Finance would like to clarify issues raised in an article by Anthony Wilson, published in the Sunday Guardian of February 28, 2016, under the headline '*\$32bn in frozen/blocked accounts*'.

The Ministry of Finance recently published a 'Notice to Bondholders', which was published in two daily newspapers, advised that, given the significant changes in liquidity conditions, the Ministry of Finance, would take steps to release the proceeds of two bonds from a blocked account at the Central Bank of Trinidad and Tobago.

The Ministry advises that:

1. Open market operations is one of the major tools used by the Central Bank of Trinidad and Tobago (CBTT) in the conduct of monetary policy.
2. Government paper is often used for open market operations. This is particularly the case for energy exporters where the government's domestic expenditure often far exceeds its domestic revenue (most of the revenue coming from external sources), so that fiscal operations have a tremendous impact on domestic liquidity and ultimately inflation.
3. The CBTT primarily issues and redeems short and medium-term Government Securities of up to 5 years' duration (treasury bills and notes under the Treasury Bills

Act of 1960 and the Treasury Notes Act of 1995); mainly through the Commercial Banks as intermediaries, to impact financial system liquidity. The CBTT may also utilize longer term securities called treasury bonds under the Treasury Bonds Act (2008).

4. When the securities (bills, notes, bonds etc.) are issued for open market operations, the proceeds are kept (“sterilized”) at the CBTT. The arrangement between the CBTT and the Government of the Rep. of Trinidad and Tobago (GoRTT), is that such funds would be for liquidity management purposes, consequently, the proceeds would be kept in “blocked” accounts and these particular funds would therefore not be used for objectives other than monetary control.

5. The sterilized proceeds from these open market operations instruments, form part of Government’s overall debt obligations (gross debt). However, since these funds are set aside in blocked accounts for a specific purpose, they are usually excluded from the calculations of the net debt stock, which is the figure generally quoted.

6. The outstanding balances of treasury bills, treasury notes and treasury bonds in respect of open market operations and currently held or sterilized at the CBTT are as follows:-

Instrument Type	Amount (TT\$)
Open Market Operation Treasury Bills	19,754,128,518.26
Open Market Operations Treasury Notes	9,519,291,139.00
Treasury Bonds	2,613,713,503.32
Total	31,887,133,160.58

7. On occasion Government Securities other than the usual short and medium-instruments have been issued to assist with liquidity management. In this regard, the GoRTT issued the undermentioned Bonds as investment instruments to assist in the absorption of excess liquidity in the financial system:

DATE OF ISSUE	AMOUNT (TT\$)	TENOR (Yrs.)	INTEREST RATE
Nov. 6, 2003	640,000,000.00	15	6.20% p.a.
Jul. 2, 2008	1,200,000,000.00	9	8.25% p.a.

8. The first bond for \$640 million aimed to quickly absorb additional liquidity resulting from a reduction in reserve requirements. The second bond, for \$1.2 billion assisted with liquidity control in 2008 when the CBTT had reached its issuing limits under the Treasury Bills Act (1960) and the Treasury Notes Act (1995). In the circumstances, both bonds were floated under the Development Loans Act (1964) under which financing is generally raised for regular fiscal operations of the Central Government. Given the purpose for the issue of the above-mentioned bonds, the proceeds of these issues were held in a blocked account at the CBTT. However, having regard to the fact that they were issued under the Development Loans Act, the Ministry of Finance recorded the bonds as part of the Net Debt of the Central Government. The Bonds were therefore both held in the blocked account *and* recorded as part of the net debt.

9. Consequent to the release of the proceeds of these instruments, there will be no increase in the Total National Debt and the GoRTT continues to make the requisite interest payments on these Bonds as they are due. The GoRTT will subsequently make specific arrangements for the redemption of these Bonds either via a budgetary appropriation or via the proceeds of another Bond issued for that specific purpose.