



## **Statement by the Governor on the Launch of Bahamas Government Savings Bond Programme**

23 September 2024

Today we are announcing the launch of the Bahamas Government savings bond initiative. Public education starts today, and the first sale of the bonds will take place in November. We are starting very modestly, with an initial offering of \$5 million. For the rest of the Government's fiscal year, we have set a cumulative target of between \$10 million to \$17 million, depending on public interest. With these levels of activity, it must be emphasized that the objectives of this programme are more about encouraging savings, rather than providing the Government with any new substantial source of funding.

This programme is designed to facilitate easier access to savings opportunities and to encourage increased savings, by making it possible for individuals to build up their holdings in affordable increments. From the outset, it will allow investors to benefit from interest rates that are as good as or better than they can earn on fixed deposits. Individuals will also have the flexibility to withdraw savings early, if they encounter any urgent need for funds.

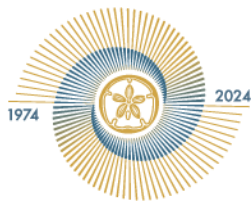
This program is also intended to expose more persons to getting started with the practice of investing; practicing the discipline of sticking with investments until they mature; and using the experience to gain confidence to invest in other types of products such as the existing Bahamas Government Registered Stocks (BRS) and Treasury bills.

The price risk of holding savings bonds is reduced, because their face values will not change over the life of investments. This is different than the Registered Stocks which pay guaranteed interest, but for which the face value can increase or decrease, if the holder decides to redeem them early.

The savings bonds will be available for purchase in any quantity, in increments of \$100. The bonds will pay interest at rates fairly close to those earned on BRS of similar maturities.

Although the bonds will look similar to existing Bahamas Government Registered Stocks, some important differences are worth highlighting.

- First only individuals, who are Bahamian citizens and permanent residents, will be allowed to purchase savings bonds. Institutional investors and institutions will not be allowed hold savings bonds. Such investors are already served by the BRS market.
- As to maturities, savings bonds will be issued in four date ranges: one, two, four and six years.



- There is a cap on how much one can invest in any single issue: \$50k. However, there is no limit on how many different bond issues in which an individual can partake.
- As to returns, savings bonds will pay a fixed rate of interest, set at just one-half of a percentage point lower than the rate paid on Bahamas Government Registered Stocks with the similar maturities. Interest would be paid semi-annually, transferred to the bank the account of the individual.
- If there is an emergency need, participants will be able to cash out of any bond early. However, they would be required to hold the bonds for a minimum of six to twenty-four months, depending on the maturity, to avoid any penalty. If this is not possible, a penalty equivalent to 3 months worth interest would be deducted from the withdrawal amount.
- As to the timing of early withdrawals, savings bonds will be redeemable semi-annually on the interest payment date.
- As to the process of purchasing of bonds, investors will be able to obtain the savings bonds, whenever there is an initial public offerings, and subsequently over-the-counter from the Central Bank. The process is electronic, through the platform maintained by the Central Bank of The Bahamas.

In reaching this point, the Central Bank has worked closely with the Ministry of Finance to design the features of the program. We have also had considerable technical assistance from the Commonwealth Secretariat.

We expect that the benefits and impact of the Savings Bond will be cumulative, and be more apparent over several years, or the medium-term.

**24 September 2024**