



Australian Government

Australian Office of Financial Management

INFORMATION MEMORANDUM

TREASURY BONDS

DESCRIPTION

Treasury Bonds are denominated in Australian Dollars with a fixed coupon payable semi-annually in arrears. Treasury Bonds are redeemable at Face Value on maturity.

ISSUER

The Commonwealth of Australia.

26 July 2019

CONTENTS

1.	Description Details.....	5
1.1.	Description	5
1.2.	Issuer	5
1.3.	Authority to Issue	5
1.4.	Australian Office of Financial Management.....	5
1.5.	Registrar	5
1.6.	Changes in Registrar	6
1.7.	Currency of Information.....	6
1.8.	Authorised Material.....	6
1.9.	Limited Responsibility for Information	6
1.10.	Offshore Associates	6
2.	Coupon Interest.....	7
2.1.	Coupon Interest Payable on Face Value	7
2.2.	Payment Frequency, Amount and First Coupon	7
2.3.	Coupon Interest Entitlement and Ex-Interest Period.....	7
2.4.	Mode of Coupon Interest Payment.....	7
3.	Fees and Taxation	9
3.1.	Fees.....	9
3.2.	Stamp Duty.....	9
3.3.	Taxation.....	9
3.3.1.	Interest withholding tax	9
3.3.2.	ABN/TFN withholding tax	10
3.3.3.	No additional amounts payable.....	11
3.3.4.	Tax on sale of Treasury Bonds	11
3.3.5.	Special timing rules for certain discounts on securities.....	11
3.3.6.	Taxation of Financial Arrangements	11

3.3.7.	Further Information.....	12
4.	Tender Procedures	13
4.1.	Announcement of Periodic Tenders	13
4.2.	Eligibility to Tender	13
4.3.	Tender Basis and Bid or Offer Format.....	13
4.4.	Size of Bids or Offers.....	14
4.5.	Commission.....	14
4.6.	Bid or Offer Submission and Modification.....	14
4.7.	Tender Cancellation or Postponement	14
4.8.	Underissuance/Underacceptance.....	15
4.9.	Allotment of Tender Stock at Tenders for the Issue of Treasury Bonds.....	15
4.10.	Acceptance of Offers at Tenders for the Repurchase of Treasury Bonds .	15
4.11.	Acceptance of Offers at Tenders for the Repurchase of Multiple Treasury Bond Series	16
4.12.	Other Repurchase Methods	17
5.	Other Methods of Issue.....	18
5.1.	Official Subscription	18
5.2.	Other Issuance Methods	18
6.	Settlement Following Issue or Repurchase.....	19
6.1.	Settlement Price.....	19
6.2.	Settlement Following Tender	20
6.3.	Form of Bonds.....	20
7.	Registration And Transfer.....	21
7.1.	Registration of Bonds.....	21
7.2.	Statement of Holdings	21
7.3.	Notices of Transaction	21
7.4.	Register.....	21
7.5.	Transfer of Bonds Within the Austraclear System.....	22

7.6.	Transfer of Bonds Outside the Austraclear System	22
8.	Repayment at Maturity	24
8.1.	Repayment.....	24
8.2.	Repayment Instructions.....	24
9.	Secondary Market for Treasury Bonds	25
10.	Other	26
10.1.	Fungibility	26
10.2.	Purchase and Cancellation.....	26
10.3.	Corporations Act 2001.....	26
10.4.	Trustees.....	26
10.5.	Stock Exchange Quotation	26
10.6.	Use of Information Memorandum.....	26
10.7.	Privacy.....	26
10.8.	Modification of the Information Memorandum	27
11.	Glossary of Terms.....	28
12.	Directory	31

1. DESCRIPTION DETAILS

1.1. DESCRIPTION

Treasury Bonds are denominated in Australian Dollars with a fixed coupon paid semi-annually in arrears. Treasury Bonds are redeemable at Face Value on the Maturity Date.

1.2. ISSUER

The issuer is the Commonwealth of Australia ('the Commonwealth').

1.3. AUTHORITY TO ISSUE

Section 4 of the *Commonwealth Inscribed Stock Act 1911* provides for the creation of Treasury Bonds for the raising of money by way of loan. Treasury Bonds are issued in accordance with section 3A of the *Commonwealth Inscribed Stock Act 1911* and other Acts containing specific borrowing authority, or the Financial Agreement between the Commonwealth and the Australian States.

Treasury Bonds are issued in such amounts, in such a manner and upon such terms and conditions as the Treasurer of the Commonwealth of Australia directs. The Treasurer has authorised officers of the Australian Office of Financial Management ('AOFM') to exercise this power on his behalf.

Treasury Bonds will be issued with the terms and conditions set out in this Information Memorandum. Subject to these terms and conditions, Treasury Bonds may be issued from time to time by tender, by syndicated offering, by official subscription, by conversion of an official investment, or by any other method deemed appropriate. Other methods of issue are referred to in section 5 below.

In accordance with section 13AA of the *Commonwealth Inscribed Stock Act 1911* principal money secured by any stock and interest on that principal (if any) shall be payable out of the Consolidated Revenue Fund of the Commonwealth, which is appropriated to the extent necessary for such payments.

1.4. AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT

The AOFM is the Australian Government agency responsible for the management and administration of Treasury Bonds.

1.5. REGISTRAR

The Registrar is Computershare Investor Services Pty Limited ('CIS').

1.6. CHANGES IN REGISTRAR

The Commonwealth reserves the right to appoint another Person as its Registrar or paying agent, or for the AOFM to perform those functions. In such circumstances, Bondholders will be advised at the relevant time.

1.7. CURRENCY OF INFORMATION

The information in this Information Memorandum is correct and complete as at the date of the cover page (the 'Effective Date'). The distribution of this Information Memorandum or any offer or issue of Treasury Bonds after that date does not imply that there has been no change since that date in the affairs or financial condition of the Commonwealth or any other Person or entity or that the information is correct at any time after the Effective Date. This Information Memorandum may be withdrawn, modified or supplemented by the Commonwealth at any time. Any series of Treasury Bonds will be taken to be issued on the basis of the Information Memorandum that is in effect as at the date of issue of such series of bonds.

1.8. AUTHORISED MATERIAL

Only information contained in this Information Memorandum or as otherwise authorised in writing by the Commonwealth may be relied on as having been authorised by or on behalf of the Commonwealth.

1.9. LIMITED RESPONSIBILITY FOR INFORMATION

No syndicate member appointed in connection with a syndicated issue of Treasury Bonds is liable for any loss or damage of any kind whatsoever arising as a result of any information in this document, notwithstanding any negligence, default or lack of care by it or that such loss or damage was foreseeable, except to the extent that liability under the *Competition and Consumer Act 2010*, the *Corporations Act 2001* or any other applicable statute or other law cannot be excluded.

The Issuer has prepared and has authorised the issue of this Information Memorandum and accepts responsibility for the information contained and incorporated by reference in it.

1.10. OFFSHORE ASSOCIATES

Treasury Bonds issued by the Commonwealth must not be purchased by an Offshore Associate of the Commonwealth other than one acting in the capacity of a dealer, manager or underwriter in relation to the placement of the Treasury Bonds or in the capacity of a clearing house, custodian, funds manager or responsible entity of an Australian registered scheme.

2. COUPON INTEREST

2.1. COUPON INTEREST PAYABLE ON FACE VALUE

Bondholders will receive Coupon Interest Payments on the respective Face Value of the Treasury Bonds at the applicable Coupon Interest Rate.

2.2. PAYMENT FREQUENCY, AMOUNT AND FIRST COUPON

Coupon Interest Payments are made semi-annually at half the annual amount in arrears on each Coupon Interest Payment Date up to and including the Maturity Date. Interest will cease to accrue on Treasury Bonds from the Maturity Date.

The date and amount of the first Coupon Interest Payment on a Treasury Bond will be specified in the Invitation to Tender.

The first Coupon Interest Payment will be for a full semi-annual period.

2.3. COUPON INTEREST ENTITLEMENT AND EX-INTEREST PERIOD

Bondholders Registered at the close of business on the Record Date (the close of business eight calendar days prior to the Coupon Interest Payment Date) will be entitled to the next Coupon Interest Payment. Bondholders who acquire Treasury Bonds that settle during the Ex-Interest Period are not entitled to the next Coupon Interest Payment.

Example 1: The 2.75% 21 November 2027 Treasury Bond makes a Coupon Interest Payment on Thursday, 21 November 2019. The Record Date for this Coupon Interest Payment is Wednesday, 13 November 2019.

Example 2: The 4.75% 21 April 2027 Treasury Bond makes a Coupon Interest Payment on Monday, 21 October 2019. The Record Date for this Coupon Interest Payment is Friday, 11 October 2019 (ten days prior to the Coupon Interest Payment Date, since the date eight days prior to the Coupon Interest Payment Date falls on a weekend).

2.4. MODE OF COUPON INTEREST PAYMENT

Where Treasury Bonds are held directly in the Register, the Registrar will make Coupon Interest Payments in Australian Dollars by cheque or direct credit to an Australian Dollar denominated bank account with an Australian financial institution. The Registrar will accept instructions from Bondholders in regards to Coupon Interest Payments. To ensure timely payment, Bondholders should notify the Registrar of their payment instructions and any change of address.

Where Treasury Bonds are lodged in the Austraclear System, Coupon Interest Payments will be made in the manner described in the Austraclear System Regulations.

If the Coupon Interest Payment Date is not a Business Day, payment will be made on the next Business Day without payment of additional interest.

Coupon Interest Payments will be rounded to the nearest cent (0.5 cent being rounded up).

3. FEES AND TAXATION

3.1. FEES

Coupon Interest Payments and repayment of Face Value at maturity will be made free of any fees, charges, deductions or levies of the Australian Government, except to the extent required by law.

3.2. STAMP DUTY

Issues and transfers of Treasury Bonds will be free of stamp duty imposed by the Commonwealth and the Australian States and Territories.

3.3. TAXATION

Taxation may affect returns to investors.

Neither the issuer nor the Registrar is able to provide taxation advice to current or potential Bondholders. The information contained in this section is of a general nature only and is not to be treated as binding on the Australian Taxation Office. Tax outcomes for Bondholders may differ depending on their particular circumstances.

The issuer and Registrar will be entitled to rely upon information given by a Bondholder as to that Bondholder's residency when making any necessary deductions or withholdings from interest payable to the Bondholder for Tax.

3.3.1. INTEREST WITHHOLDING TAX

Interest withholding tax must apply to Coupon Interest Payments made to a Bondholder who is:

- an Australian Resident for income taxation purposes who derives the Coupon Interest Payments in carrying on business at or through a permanent establishment outside Australia; or
- a non-resident for income taxation purposes who does not derive the Coupon Interest Payments in carrying on business at or through a permanent establishment in Australia,

unless an exemption applies.

The Registrar will assume a Bondholder (and any other Person who beneficially derives interest under the Treasury Bonds jointly with a Bondholder) is either an Australian Resident for income taxation purposes or carries on business at or through a permanent establishment in Australia for income taxation purposes unless the

Bondholder advises the Registrar otherwise. Australian Residents for income taxation purposes can be individuals, companies, partnerships, trusts or superannuation funds that are able to satisfy the residency test applicable to the entity as provided by the Tax laws. However, the Registrar will be required to withhold an amount from Coupon Interest Payments where the Bondholder has not advised the Registrar of its actual status and:

- the recipient of the Coupon Interest Payment has a foreign address according to any records in its possession or records kept on its behalf about the transaction to which information relates;
- the Registrar is authorised to make the Coupon Interest Payment at a place outside Australia;
- a foreign resident is or becomes entitled to receive the Coupon Interest Payment or part of it from the Registrar in Australia; or
- a foreign resident is or becomes entitled to have the Registrar in Australia credit to the foreign resident, or otherwise deal with on the foreign resident's behalf or as the foreign resident directs, the Coupon Interest Payment or part of it,

unless an exemption applies.

Coupon Interest Payments on Treasury Bonds are eligible for exemption from interest withholding tax provided the Treasury Bonds satisfy the 'public offer test' under section 128F of the Income Tax Assessment Act 1936. Unless otherwise announced at the time of issue, the Commonwealth will seek to issue Treasury Bonds in a manner that satisfies the 'public offer test'.

Australia has signed a number of new or amended double tax treaties with foreign jurisdictions which effectively prevent interest withholding tax from applying to certain recipients.

3.3.2. ABN/TFN WITHHOLDING TAX

Bondholders are not required to advise the Registrar of their Tax File Number (TFN) or Australian Business Number (ABN). However, if the Bondholder does not provide a TFN or ABN and does not claim an exemption from providing a TFN or ABN, then the Registrar is required by law to withhold an amount of interest equal to the top marginal rate of income tax plus any relevant levies (for example, the Medicare Levy), unless an exemption applies. Assuming the requirements of section 128F of the *Income Tax Assessment Act 1936* are satisfied with respect to the Treasury Bonds, then this requirement should not apply to payments to a Bondholder who is not an Australian Resident and who

does not derive the payment in carrying on business at or through a permanent establishment in Australia.

3.3.3. NO ADDITIONAL AMOUNTS PAYABLE

For the avoidance of doubt, in the event that any payment made by the Commonwealth in respect of Treasury Bonds is made subject to deduction or withholding for or on account of any Taxes, duties, assessments or governmental charges of any nature, no additional amounts shall be payable by the Commonwealth in respect of such deduction or withholding.

3.3.4. TAX ON SALE OF TREASURY BONDS

In some cases Australian Residents and non-residents may be liable for Australian Tax on any gains on the sale of Treasury Bonds. In general, gains are taxed at the Bondholder's rate of Tax. Australian Residents and non-residents are taxed at different rates.

3.3.5. SPECIAL TIMING RULES FOR CERTAIN DISCOUNTS ON SECURITIES

If Treasury Bonds are issued or purchased at a discount to their Face Value the Tax laws may operate to require Bondholders to bring to account as income the discount over the term the Treasury Bond is held by the Bondholder.

3.3.6. TAXATION OF FINANCIAL ARRANGEMENTS

Bondholders may be subject to taxation of financial arrangements (TOFA) rules. The applicability of the TOFA rules and the basis of any application will depend on a number of factors, including the type and size of the entity, the features of the particular bond and the making of various elections.

The TOFA rules can operate to require a Bondholder to bring to account for income tax purposes the gain on the bond over the period that it is held. Both an Australian Resident and non-resident Bondholder may make a taxable balancing adjustment upon ceasing to have the bond.

Individuals who are Bondholders may be subject to the TOFA rules in respect of bonds. Individuals can also make an election that the TOFA rules apply to their financial arrangements.

The TOFA rules apply to income years commencing on or after 1 July 2009 on an elective basis, and income years commencing on or after 1 July 2010 on a mandatory basis for relevant taxpayers.

3.3.7. FURTHER INFORMATION

For more information regarding taxation matters, please contact the Australian Taxation Office or a tax adviser.

4. TENDER PROCEDURES

The following is a summary of the key details of the procedures for Treasury Bonds issued or repurchased via a tender. Further information on these procedures is available in the AOFM Tender System Conditions of Operation, available at www.aofm.gov.au. The procedures described below do not limit the Commonwealth's right to repurchase Treasury Bonds by any other method.

4.1. ANNOUNCEMENT OF PERIODIC TENDERS

Invitations to Tender will be made from time to time. Each invitation will include details of:

- each series of Treasury Bonds for which bids or offers will be invited;
- the amount to be offered or repurchased of each series;
- the closing time and date for bids or offers; and
- the settlement date.

All Invitations to Tender and all tenders of Treasury Bonds shall be made in terms of and pursuant to this Information Memorandum.

4.2. ELIGIBILITY TO TENDER

Bids or offers for Treasury Bonds at competitive tenders conducted via the AOFM Tender System may only be submitted by parties that are registered with the AOFM. Details of the registration process are contained in the AOFM Tender System Conditions of Operation.

4.3. TENDER BASIS AND BID OR OFFER FORMAT

Bids or offers for Treasury Bonds must be submitted in accordance with the AOFM Tender System Conditions of Operation.

Bids or offers for Treasury Bonds will be received on a competitive tender basis.

The Yield bid or offered may be expressed to a maximum of four decimal places (e.g. 3%, 3.0%, 3.00%, 3.000%, or 3.0000%). Yield bids or offers must be a whole multiple of 0.0025% (e.g. 3.0000%, 3.0025% or 3.0050%). Yields submitted that are not a whole multiple of 0.0025% will not be accepted.

4.4. SIZE OF BIDS OR OFFERS

Each bid or offer for Treasury Bonds must be for a minimum parcel of \$1,000,000 Face Value and in multiples of \$1,000,000 thereafter.

4.5. COMMISSION

No commission will be paid on Treasury Bonds issued or repurchased by tender.

4.6. BID OR OFFER SUBMISSION AND MODIFICATION

Bids or offers for Treasury Bonds may be submitted by either:

- transmitting and committing a bid or offer via the AOFM Tender System; or
- any other method specified in the AOFM Tender System Conditions of Operation.

Bids or offers submitted via the AOFM Tender System are subject to the conditions outlined in the AOFM Tender System Conditions of Operation.

A bid or offer that has been committed within the AOFM Tender System may be altered or revoked by the bidder or submitter prior to the time announced for closure of the tender according to the clock in the AOFM Tender System.

A bid or offer that has been committed within the AOFM Tender System cannot be altered or revoked by the bidder or submitter after the time announced for closure of the tender according to the clock in the AOFM Tender System.

A bid or offer cannot be committed within the AOFM Tender System after the time announced for closure of the tender according to the clock in the AOFM Tender System.

The AOFM may alter or revoke a bid or offer it considers to have been submitted in error, at any time.

4.7. TENDER CANCELLATION OR POSTPONEMENT

The Commonwealth reserves the right to cancel or postpone a tender by reason of any circumstance including a circumstance beyond the control of the AOFM and, without limitation, partial or total failure, malfunction or overload of the AOFM Tender System, industrial action or other emergency.

4.8. UNDERISSUANCE/UNDERACCEPTANCE

The Commonwealth reserves the right to accept bids or offers for the full amount of an Invitation to Tender or any part thereof and to reject any bid or offer or part thereof on any grounds whatsoever, notwithstanding that the full amount of Treasury Bonds in an Invitation to Tender has not been taken up.

4.9. ALLOTMENT OF TENDER STOCK AT TENDERS FOR THE ISSUE OF TREASURY BONDS

Acceptance of bids will be made in ascending order of Yield bid, that is, from the lowest Yield bid to the highest Yield accepted. Allotments will be made at the Yields bid.

At the highest Yield accepted, the amount of Treasury Bonds allotted to each bid will, in the first instance, be calculated proportionately to the amount of bids at that Yield and rounded down to the nearest \$1,000,000 (Face Value). If following this the total amount allotted is lower than the total amount offered, bids at the highest accepted Yield will be rounded up to the nearest \$1,000,000 (Face Value), firstly in order of the amount by which they were initially rounded down (largest amount first) and then in the time order in which they were committed in the AOFM Tender System (earliest first), until the total amount offered is reached. No bidder will be allotted an amount greater than the amount bid.

The Commonwealth reserves the right to accept any bid for the full amount of a tender or any part thereof and to reject any bid or part thereof.

Notice of acceptance or rejection of a bid or any part thereof will be made available to each bidder as soon as possible after allotment.

4.10. ACCEPTANCE OF OFFERS AT TENDERS FOR THE REPURCHASE OF TREASURY BONDS

Acceptance of offers will be made in descending order of Yield offered, that is, from the highest Yield offered to the lowest Yield accepted. Repurchases will be made at the Yields offered.

At the lowest Yield accepted, the amount of Treasury Bonds repurchased from each offer will, in the first instance, be calculated proportionately to the amount of offers at that Yield and rounded down to the nearest \$1,000,000 (Face Value). If following this the total amount repurchased is lower than the total amount available for repurchase, offers at the lowest accepted Yield will be rounded up to the nearest \$1,000,000 (Face Value), firstly in order of the amount by which they

were initially rounded down (largest amount first) and then in the time order in which they were committed in the AOFM Tender System (earliest first), until the total amount available for repurchase is reached. No offeror will sell an amount greater than the amount offered.

The Commonwealth reserves the right to accept any offer for the full amount of a tender or any part thereof and to reject any offer or part thereof.

Notice of acceptance or rejection of an offer or any part thereof will be made available to each offeror as soon as possible after acceptance.

4.11. ACCEPTANCE OF OFFERS AT TENDERS FOR THE REPURCHASE OF MULTIPLE TREASURY BOND SERIES

A Reference Yield will be set for each series of Treasury Bonds for which offers are invited. The Reference Yield will be set with reference to prevailing secondary market yields. For each offer, the Offer Spread will be calculated as the difference between the Yield offered and the Reference Yield.

Acceptance of offers will be made in descending order of Offer Spreads (across the series offered), that is, from the highest spread offered to the lowest spread accepted. Repurchases will be made at the Yields offered.

At the lowest Offer Spread accepted, the amount of Treasury Bonds repurchased from each offer will, in the first instance, be calculated proportionately to the amount of offers at that Offer Spread and rounded down to the nearest \$1,000,000 (Face Value). If following this the total amount repurchased is lower than the total amount available for repurchase, offers at the lowest accepted Offer Spread will be rounded up to the nearest \$1,000,000 (Face Value), firstly in order of the amount by which they were initially rounded down (largest amount first) and then in the time order in which they were committed in the AOFM Tender System (earliest first), until the total amount available for repurchase is reached. No offeror will sell an amount greater than the amount offered.

The Commonwealth may set the maximum volume of a particular series to be repurchased. In this case offers will be accepted in the manner described above until that maximum is reached (if it is reached), from which point offers for that series of Treasury Bonds would not be accepted. Offers for other series would be accepted in the manner described above for the remainder of the amount available for repurchase.

The Commonwealth reserves the right to accept any offer for the full amount of a tender or any part thereof and to reject any offer or part thereof.

Notice of acceptance or rejection of an offer or any part thereof will be made available to each offeror as soon as possible after acceptance.

4.12. OTHER REPURCHASE METHODS

The Commonwealth reserves the right to repurchase Treasury Bonds in any manner deemed appropriate, including, but not limited to the repurchase procedures described above.

5. OTHER METHODS OF ISSUE

5.1. OFFICIAL SUBSCRIPTION

The Reserve Bank of Australia (RBA) and certain other official bodies may, from time to time, apply for Treasury Bonds.

Amounts to be taken up in this way at the time of a tender will be indicated in the Invitation to Tender and will be additional to the amount offered for public tender. Such allotments will be at the weighted average issue Yield(s) announced for the relevant tender.

5.2. OTHER ISSUANCE METHODS

The Commonwealth reserves the right to issue Treasury Bonds in any manner deemed appropriate. This includes, but is not limited to, the Commonwealth appointing a syndicate of financial institutions from time to time for the placement of Treasury Bonds on conditions that may be agreed at such time. The Commonwealth may pay fees to syndicate members as may be agreed at the time.

6. SETTLEMENT FOLLOWING ISSUE OR REPURCHASE

6.1. SETTLEMENT PRICE

6.1.1. BASIC FORMULA

Following the issue or repurchase of Treasury Bonds other than near-maturing Bonds the settlement price per \$100 Face Value, extended to the third decimal place, shall be calculated on the basis of the following formula:

$$\text{SETTLEMENT PRICE PER \$100 FACE VALUE} = v^{f/d} (c + ga_n + 100v^n)$$

Where:

$$v = \frac{1}{(1+i)}$$

i = the annual percentage Yield (expressed as above under 'Tender Basis and Bid or Offer Format') divided by 200 (for example, where the Treasury Bonds are to be allotted or repurchased at a Yield of 1.53% per annum, $i = \frac{1.53}{200} = 0.00765$);

f = the number of days from the Settlement Date to the next Coupon Interest Payment Date;

d = the number of days in the half-year ending on the next Coupon Interest Payment Date;

c = the amount of coupon interest (if any) per \$100 Face Value at the next Coupon Interest Payment Date;

g = the fixed half-yearly Coupon Interest Rate payable (equal to the annual fixed rate divided by 2);

n = the term in half years from the next Coupon Interest Payment Date to maturity; and

$$a_n = v + v^2 + \dots + v^n = \frac{1-v^n}{i}. \text{ Except if } i = 0 \text{ then } a_n = n$$

The settlement amount will be rounded to the nearest cent (0.5 cent being rounded up).

6.1.2. NEAR-MATURING BONDS

Following the issue or repurchase of near-maturing Treasury Bonds (between the Record Date for the second last coupon and the Record Date for the final coupon) the settlement price per \$100 Face Value shall be calculated (unrounded) on the basis of the following formula:

$$\text{SETTLEMENT PRICE PER } \$100 \text{ FACE VALUE} = \frac{100+g}{1+\left(\frac{f}{365}\right)i}$$

Where:

i = the annual percentage Yield (expressed as above under 'Tender Basis and Bid or Offer Format') divided by 100 (for example, where the Treasury Bonds are to be allotted or repurchased at a Yield of 1.53% per annum, $i = \frac{1.53}{100} = 0.0153$);

f = the number of days from the Settlement Date to the Maturity Date;
and

g = the fixed half-yearly Coupon Interest Rate payable (equal to the annual fixed rate divided by 2).

6.2. SETTLEMENT FOLLOWING TENDER

Unless otherwise specified in the Invitation to Tender, settlement in the Austraclear System is to take place before the End of Day (as defined in the Austraclear System Regulations) on the second Business Day following the tender.

If a bidder fails to make due payment of any amount payable to the Commonwealth in respect of any allotment pursuant to a bid, the Commonwealth may cancel the allotment of Treasury Bonds to that bidder.

If an offeror fails to deliver to the Commonwealth any Treasury Bonds that are to be repurchased in accordance with the terms of an accepted offer, the Commonwealth may cancel that repurchase from that Bondholder.

6.3. FORM OF BONDS

Treasury Bonds will be issued as stock only, in accordance with the *Commonwealth Inscribed Stock Act 1911* and shall be lodged, with a minimum Face Value of \$1,000,000 and in multiples of \$1,000,000 thereafter, in the Austraclear System in the name of the applicant in accordance with the Austraclear System Regulations.

7. REGISTRATION AND TRANSFER

7.1. REGISTRATION OF BONDS

Treasury Bonds may be held by individual Persons, or two or more Persons as joint tenants with right of survivorship. Organisations or trusts that are not incorporated should complete their application in the full name(s) of the trustee(s). No notice of any trust in respect of any Treasury Bonds will be entered in the Register or receivable by the Registrar. Each Bondholder is to be regarded as the absolute beneficial owner of the Treasury Bonds Registered in its name and the Commonwealth and the Registrar shall not be affected by any trust or other equity affecting any Treasury Bond, whether or not it is aware of the same.

If two or more Persons apply to be Registered as Bondholders as tenants in common, the Registrar may, after receiving an application from either Person and notifying the other Person(s) of its intention to do so, divide the Treasury Bonds into the share for which each Person is expressed to be entitled and register each Person as the holder of the Treasury Bonds representing the Person's share. If the Treasury Bonds cannot be divided into shares where the Face Value amount is a multiple of \$1,000 the Registrar may refuse to accept the application.

7.2. STATEMENT OF HOLDINGS

On application by any Bondholder, the Registrar will issue to the Bondholder a statement of holdings certifying that the Bondholder is the Registered holder of the Face Value amount of the Treasury Bonds referred to therein.

7.3. NOTICES OF TRANSACTION

Notices of transaction for Treasury Bonds will be issued by the Registrar to the transferee following the registration of a transfer or issue of Treasury Bonds. These notices do not constitute a statement of holdings, but merely advise the registration of the Treasury Bonds.

A notice will be issued by the Registrar to the transferor following the registration of a transfer of Treasury Bonds.

7.4. REGISTER

The issue of Treasury Bonds will be effected and evidenced by particulars of the Treasury Bonds being entered into the Register by the Registrar.

In the case of Registered Stock, the Registrar shall enter into the Register the following particulars:

- name and address of the Bondholder;
- Face Value of the Treasury Bonds held;
- Coupon Interest Rate payable on the Treasury Bonds;
- Coupon Interest Payment Dates of the Treasury Bonds;
- Maturity Date of the Treasury Bonds;
- such other particulars as may, from time to time, be required by the Commonwealth; and
- such other particulars as may, from time to time, be considered necessary by the Registrar.

The Registrar may correct errors and remedy omissions in the Register.

7.5. TRANSFER OF BONDS WITHIN THE AUSTRACLEAR SYSTEM

Subsequent to the issue of Treasury Bonds, the bonds may be transferred to other Persons in parcels that are a multiple of \$1,000 Face Value.

A Bondholder may effect the transfer of Treasury Bonds through the Austraclear System in accordance with the Austraclear System.

7.6. TRANSFER OF BONDS OUTSIDE THE AUSTRACLEAR SYSTEM

Subsequent to the issue of Treasury Bonds, the bonds may be transferred to other Persons in parcels that are a multiple of \$1,000 Face Value.

A Bondholder may effect the transfer of Treasury Bonds through the lodgement of a completed Transfer and Acceptance Form with the Registrar.

On production to the Registrar of a duly executed Transfer and Acceptance Form and any such other evidence as the Registrar may require to prove the authority of the Persons signing the same to sign on behalf of the transferor, the Registrar will enter in the Register the name of the transferee as the Registered holder of the Treasury Bonds to which the form of transfer relates.

When the right to any Treasury Bond is acquired by any Person in any manner other than by a form of transfer, the Registrar, on application by or on behalf of the Person entitled, and on being satisfied that the Person is entitled to be Registered as the Bondholder, will enter the Person in the Register as the holder of the Treasury Bonds.

Upon registration of a form of transfer or other assignment on the Register, the transferee will be recognised as entitled to the Treasury Bonds.

No transfer will be Registered by the Registrar during the final Ex-Interest Period prior to the Maturity Date.

8. REPAYMENT AT MATURITY

8.1. REPAYMENT

Treasury Bonds are not repayable prior to the Maturity Date.

Repayment of Treasury Bonds is made from the Consolidated Revenue Fund of the Commonwealth under standing appropriations.

Where Treasury Bonds are lodged in the Austraclear System the Treasury Bonds will be repaid at Face Value on the Maturity Date in the manner described in the Austraclear System Regulations.

If the Maturity Date is not a Business Day, payment will be made on the next Business Day without payment of additional interest.

8.2. REPAYMENT INSTRUCTIONS

In the case of stock lodged in the Register, the Registrar will effect the repayment of the Face Value of maturing Treasury Bonds by cheque or direct credit to an Australian Dollar denominated bank account with a financial institution registered in Australia, and in accordance with the Coupon Interest Payment instruction held by the Registrar.

Instructions as to the repayment of the Face Value of maturing Treasury Bonds may be lodged with the Registry no later than close of business on the Record Date for the final Coupon Interest Payment.

Where no instructions have been provided in time, payments of proceeds will be effected by cheque payable to the Bondholder and posted to the address recorded in the Register.

9. SECONDARY MARKET FOR TREASURY BONDS

After issue Treasury Bonds may be traded in the secondary market.

The Australian Financial Markets Association (AFMA) has published conventions that apply to trading in the over-the-counter market of long-dated debt securities such as Treasury Bonds. These details can be viewed at AFMA's website at www.afma.com.au.

Treasury Bonds are traded in the secondary market on a Yield basis with the price per \$100 Face Value calculated using the Treasury Bond pricing formulae on the AOFM's website at www.aofm.gov.au.

10. OTHER

10.1. FUNGIBILITY

The Commonwealth shall be at liberty from time to time to issue Treasury Bonds fungible, respectively, with any outstanding series of Treasury Bonds whether by Invitation to Tender or otherwise. Any such new issuance will have the same Maturity Date and Coupon Interest Rate.

10.2. PURCHASE AND CANCELLATION

The Commonwealth or agents of the Commonwealth may at any time offer to purchase, beneficially, Treasury Bonds from any Person. Any Treasury Bonds so purchased may be lent, retained, sold or cancelled at the discretion of the Commonwealth.

10.3. CORPORATIONS ACT 2001

The issue and sale of Treasury Bonds does not require the production of a Product Disclosure Statement in accordance with section 1010A of the *Corporations Act 2001*.

10.4. TRUSTEES

Treasury Bonds are authorised investments under trustee legislation applying in Australia.

10.5. STOCK EXCHANGE QUOTATION

It is intended to apply for the quotation of Treasury Bonds on the Australian Securities Exchange as soon as possible after issue.

10.6. USE OF INFORMATION MEMORANDUM

This Information Memorandum is intended for use only in connection with the offer of Treasury Bonds in Australia and must not be sent to any Person outside Australia in any jurisdiction in circumstances in which the offer of Treasury Bonds or use of this Information Memorandum would be unlawful.

10.7. PRIVACY

The AOFM and Registrar collect and hold personal information about Bondholders for the purposes of administering Treasury Bonds. Bondholders may request access to any personal information held about them by contacting the Registrar (see contact details in section 12). Bondholders may also request correction of any personal information held about them.

10.8. MODIFICATION OF THE INFORMATION MEMORANDUM

The Commonwealth may withdraw, modify or supplement this Information Memorandum at any time, provided that, in the case of a modification to the terms of Treasury Bonds that have been issued before that modification ('Existing Bonds'), the modification must, in the Commonwealth's opinion, satisfy one or more of the following conditions:

- a) the modification is of a formal, minor or technical nature or is made to correct a manifest error; or
- b) the modification is made to comply with mandatory provisions of law; or
- c) such modification is not in the opinion of the Commonwealth materially prejudicial to the interests of holders of Existing Bonds.

Any such amendment takes effect on the publication of the amendment on the AOFM website, or such later date as the Commonwealth may specify in the amendment.

11. GLOSSARY OF TERMS

The following definitions apply to this Information Memorandum:

AOFM Tender System	The system used by the AOFM to conduct tenders for issuance and repurchases of Commonwealth Inscribed Stock.
AOFM Tender System Conditions of Operation	The conditions from time to time existing and published on the AOFM website entitled 'Australian Office of Financial Management Tender System – Conditions of Operation'.
Austraclear System	The system for the clearance and settlement of debt securities operated by Austraclear Limited.
Australian Office of Financial Management or AOFM	The Commonwealth of Australia acting through and represented by the Australian Office of Financial Management (AOFM).
Australian Resident	A Person able to satisfy an Australian residency test as defined in Australian tax law.
Bondholder	In respect of any Treasury Bond, the Person whose name from time to time is entered into the Register as the holder of that Treasury Bond.
Business Day	A day not being a Saturday or Sunday on which banks are generally open for business in Sydney.
Commonwealth	The Commonwealth of Australia.
Coupon Interest Payment	The amount paid or due to be paid on the Coupon Interest Payment Date.
Coupon Interest Payment Dates	The dates in each year on which a Coupon Interest Payment is payable on a Treasury Bond and includes the Maturity Date.
Coupon Interest Rate	The interest rate payable in respect of a Treasury Bond, expressed as a percentage per annum.
Dollars or \$	The lawful currency of Australia.

Ex-Interest Period	The period after the Record Date up to and including the next Coupon Interest Payment Date. Treasury Bonds settled during this period will not be entitled to that Coupon Interest Payment.
Face Value	The principal, nominal or par value amount of a Treasury Bond on which Coupon Interest Payments are calculated.
Invitation to Tender	An invitation issued by the Commonwealth pursuant to this Information Memorandum specifying the details of the Treasury Bonds to be offered or repurchased by way of tender.
Maturity Date	The date, as specified in the Invitation to Tender on which the Treasury Bonds are to be repaid.
Offer Spread	The difference between the Yield offered and the Reference Yield for an offer at a tender for the repurchase of multiple Treasury Bond series.
Offshore Associate	An Offshore Associate of the Commonwealth means an associate (as defined in section 128F of the <i>Income Tax Assessment Act 1936</i>) that is either a non-resident of Australia that does not acquire the Treasury Bonds in carrying on a business at or through a permanent establishment in Australia or, alternatively, a resident of Australia that acquires the Treasury Bonds in carrying on a business at or through a permanent establishment outside of Australia.
Person	Includes an individual, firm, company, corporation or unincorporated body of persons or any state or government or any agency thereof (in each case, whether or not having separate legal personality).
Record Date	Close of business on the eighth day before the relevant Coupon Interest Payment Date, being a day on which banks are generally open for business in Sydney or Melbourne. If on this date the banks are closed for business in both Sydney and Melbourne then the Record Date will fall on the closest preceding date on which the banks are generally open for business in Sydney or Melbourne.
Reference Yield	The yield with which offers at tenders to repurchase multiple Treasury Bond series are compared to

calculate the Offer Spread. The Reference Yield will be set for each series of Treasury Bonds for which offers are invited with reference to prevailing secondary market yields.

Register

The register of holdings of Treasury Bonds maintained by the Registrar and 'Registered' has a corresponding meaning.

Registrar

Computershare Investor Services Pty Limited (ACN 078 279 277) or such other Person appointed by the Commonwealth to maintain a Register in respect of Treasury Bonds and perform such payment and other duties specified in that agreement.

Settlement Date

The value date for transfer of ownership as notified in the Invitation to Tender.

Tax

Any tax, levy, duty, rate or tariff of any nature, including withholding taxes, which is imposed or collected by a government agency.

Yield

The rate of return on a bond (expressed as an annual percentage) for a given purchase price, assuming the bond is held until the Maturity Date. The calculation of the Yield assumes all Coupon Interest Payments are reinvested at the same rate of return.

12. DIRECTORY

For issuer information, bidding and tender information and to register as a bidder contact:

Mail

Head of Funding and Liquidity
Australian Office of Financial Management
Treasury Building
Newlands Street
PARKES ACT 2600

Telephone

+61 2 6263 1141

Email

enquiries@aofm.gov.au

For settlements information contact:

Mail

Settlements Manager
Australian Office of Financial Management
Treasury Building
Newlands Street
PARKES ACT 2600

Telephone

+61 2 6263 1147

Email

settlements@aofm.gov.au

For the Registrar contact:

Mail

Computershare Investor Services Pty Limited
GPO Box 2237
MELBOURNE VIC 3001

Telephone

+61 3 9415 4390

1800 674 996 (inside Australia)

Email

cgs@computershare.com.au

For Austraclear contact:

Telephone

1300 362 257

Email

cad@asx.com.au