

## **Background Information on New Non-Competitive Window for Treasury Bills**

### ***Question and Answer***

*Q: Why is the Government of Barbados introducing a non-competitive window for Treasury Bill auctions?*

A: As part of the restart of regular Treasury Bill issuances, the Government is acting to update its auction regulations to make it easier for individuals to purchase and roll over (reinvest) Treasury Bills. The option for non-competitive bids is now considered best international practice because it greatly simplifies the process for individuals and ensures that they have the ability to invest in Treasury Bills alongside banks and other financial institutions.

*Q: What is the key difference for individuals in the two options?*

A: Instead of submitting a quantity and price at which they wish to purchase Treasury Bills, individuals who chose the non-competitive window will simply submit the quantity they wish to purchase and the tenor (91 or 182 days) . As a result, individuals participating in the non-competitive window will have their orders filled ahead of traditional competitive auction participants, effectively guaranteeing them their desired allocation of Treasury Bills (i.e., so long as the auction closes successfully, which is nearly always the case).

*Q: What price / interest rate will individuals receive from the non-competitive window?*

A: The weighted average price / interest rate from successful bids from the traditional competitive window, i.e. the effective market price and interest rate.

*Q: Will receiving the average price disadvantage individuals who participate in the non-competitive window?*

A: No. Other countries which maintain non-competitive windows (for example, the United States) have found that the option has become extremely popular because it guarantees individuals access to Treasury Bills at the market rate rather than forcing them to bid against sophisticated banks and financial institutions which are carefully following market interest rates. Whilst it is possible for individuals who bid in the traditional competitive window to receive a slightly more advantageous rate than the weighted average, they might also receive a less advantageous rate—or be completely unsuccessful in receiving Treasury Bills.

*Q: Can individuals still participate in the traditional, competitive window?*

A: Yes. The goal is to introduce additional options to support individuals as they save for the future. Individuals may submit bids in either or both of the auction formats if they wish to do so.