



**THE NATIONAL TREASURY
REPUBLIC OF SOUTH AFRICA**

**THE REPUBLIC OF SOUTH AFRICA
FIXED RATE RETAIL BOND
OWNER'S MANUAL**

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DEFINITIONS

“Asset and Liability Management Division”	A division within the National Treasury responsible for the administration of the Retail Bonds;
“Application Form”	The Application for RSA Fixed Rate Retail Bonds form which must be completed by an Investor in applying to invest in the Retail Bonds, which Application Form can be obtained from the Post Office, or the National Treasury or can be downloaded from the RSA Retail Bond website, as more fully described in paragraph 18 below;
“Bank Guaranteed Cheque”	A bank issued cheque, an own cheque endorsed by a bank guaranteeing an amount specified, or a personal guaranteed cheque endorsed in accordance with the requirements of the applicable financial institution;
“Banking Day”	Mondays through to Saturday (other than a Sunday or official public holidays in the Republic) on which banks are generally open for business in the Republic;
BESA	The Bond Exchange of South Africa;

“Books Closed Date”	In relation to an Interest Payment Date, 1 (one) calendar month preceding the Interest Payment Date;
“Business Day”	Mondays through to Friday (other than a Saturday, Sunday or official public holidays in the Republic);
“Capital Amount”	The initial amount invested by an Investor to purchase a Retail Bond. Where an Investor has purchased more than one of the Retail Bond Series or more than one Retail Bond within a Retail Bond Series, the Capital Amount will refer to each of the amounts invested to acquire each Retail Bond within each of the Retail Bond Series;
“Capital Balance”	The initial amount invested by an Investor to purchase one of the Retail Bond Series, together with all Interest capitalised if the Investor has elected to reinvest the Interest as described in paragraph 7 below, less any Early Withdrawals, and less the Penalty levied as described in paragraph 11 below. Where an Investor has purchased more than one of the Retail Bond Series or more than one Retail Bond within a Retail Bond Series, the Capital Balance will refer to each of the amounts invested to acquire each Retail Bond within each of the Retail Bond Series;

“Designated Bank”	A bank at which an Investor must make payment of the Capital Amount which he or she wishes to invest in the Retail Bond after receipt of a notice from the National Treasury to effect payment, which notice shall set out the Unique Investor Number which an Investor must quote on making payment of the Capital Amount;
“Designated Bank Account”	The bank account of the Registered Holder into which the interest shall be paid on Interest Payment Date, the Early Withdrawal Amount on the date withdrawn and the Capital Balance on Maturity Date;
“Early Withdrawal”	The withdrawal by an Investor of a portion or the entire amount of the Capital Balance of any Retail Bond held by him or her prior to Maturity Date, as described in paragraph 11 below;
“Early Withdrawal Amount”	The amount of the Early Withdrawal, being a portion of or the Capital Balance requested for withdrawal by the Investor, less any Penalty imposed for withdrawing all or a portion of the Capital Balance before Maturity;

“Early Withdrawal Date”	The date on which the Early Withdrawal Amount, less the Penalty, is paid to the Investor;
“Executor”	The Executor of the deceased estate of a Registered Holder;
“Fixed Rate RSA Retail Bond”	The fixed rate retail bond issued by the Issuer from Issue Date, available for purchase from Issue Date until withdrawn by the Issuer within its sole and absolute discretion;
“the Government”	The Government of the Republic of South Africa;
“Government Bonds”	The financial instruments issued by the Government and bearing fixed or floating interest rates;
“Government Bonds Yield Curve”	The Yield Curve applicable to Government Bonds;
“Income Tax Act”	The Income Tax Act, 1962 (Act No. 58 of 1962), as amended from time to time;

<p>“Interest Rate”</p>	<p>The fixed interest rate payable to a Registered Holder of a Retail Bond from Settlement Date until the Maturity Date, or in the event of an Early Withdrawal, until Early Withdrawal Date, which rate shall be the Prevailing Interest Rate on the Settlement Date;</p>
<p>“Interest”</p>	<p>The interest earned on a Retail Bond;</p>
<p>“Interest Payment Date”</p>	<p>The 31st March and 30th September in each year, plus the Maturity Date if the Maturity Date is not 31st March or 30th September, being the date on which the interest on the Retail Bond shall be paid to the Registered Holder in accordance with the Terms and Conditions of Issue;</p>
<p>“Issuer”</p>	<p>The Government of the Republic of South Africa, represented by the National Treasury through its office of the Asset and Liability Management Division and the term the “the National Treasury” shall, depending on the context, have the corresponding meaning;</p>
<p>“Issue Date”</p>	<p>The first date on which the Retail Bonds will be available for purchase, being the 24th day of May 2004;</p>

“Final Issue Date”	The last date on which the Issuer will make the Retail Bonds available for purchase, which date will be decided by the Issuer in its sole and absolute discretion and published in financial newspapers in the Republic, on the RSA Retail Bond website, or in such other manner as the Issuer may determine;
“First Interest Payment Date”	The date on which Interest is first paid to the Registered Holder, being the Interest Payment Date immediately following the Settlement Date, unless the Settlement Date occurs after the Books Closed Date, in which case the First Interest Payment Date will be on the next Interest Payment Date;
“Investor”	The person who has invested in the Retail Bond and whose name appears on the Register of Bond Holders;
“Investor Number”	The number notified to each Investor by the Issuer, as explained in paragraph 19 below, upon acceptance of an application to invest;

“Manual”	This Republic of South Africa Fixed Retail Bond Owner s Manual, being the marketing document for the Retail Bonds, setting out such information as a Purchaser would need regarding the Retail Bonds;
“Maturity Date”	The date on which the Capital Balance becomes due for repayment by the Issuer, being 2 years after Settlement Date with respect to any 2-year Retail Bond, 3 years after Settlement Date with respect to any 3-year Retail Bond and 5 years after Settlement date with respect to any 5-year Retail Bond. The terms “maturity” and “mature” shall have a corresponding meaning;
“the National Treasury”	The National Treasury of the Republic of South Africa, established in terms of Section 5 of the PFMA;
“National Treasury Bank Account”	The account held by the National Treasury with any of the Designated Banks;

“Penalty”	The interest penalty deducted from the Investor’s Capital Balance if he or she withdraws some or all of the Capital Balance before Maturity Date, calculated in accordance with clause 13 of the Terms and Conditions of Issue;
“PFMA”	The Public Finance Management Act, 1999 (Act No.1 of 1999);
“Portfolio”	The total amount, invested in any or all of the RSA Retail Bonds by an Investor;
“Post Office”	Any branch or outlet of the South African Post Office Limited, a public company incorporated in terms of section 3 of the Post Office Act, 1958 (Act No. 44 of 1958);
“Prevailing Interest Rate”	The Interest Rate published from time to time by the Issuer, which shall be the Interest Rate applicable for the 2-year, 3-year and 5-year Retail Bond on Settlement Date;
“Published”	Published by the Issuer in newspapers in the Republic and on the RSA Retail Bond website from time to time;

“Purchaser”	The Purchaser of a Retail Bond;
“Rand” or “South African Rand”	The national currency of the Republic;
“Register”	The compilation of Registered Holders of Retail Bonds kept by the Office of the Asset and Liability Management Division;
“Registered Holder”	A person in whose name the Retail Bond has been purchased and whose name appears in the Register, and the term “Bond Holder” shall have a corresponding meaning;
“Republic”	The Republic of South Africa;
“Retail Bond”	Any of the 2-year, 3-year and 5-year Fixed Rate RSA Retail Bond, and the term “Retail Bond Series” or “Series” shall have a corresponding meaning;
“2-year Retail Bond”	The Fixed Rate RSA Retail Bond maturing 2 (two) years from Settlement Date;
“3-year Retail Bond”	The Fixed Rate RSA Retail Bond maturing 3 (three) years from Settlement Date;

“5-year Retail Bond”	The Fixed Rate RSA Retail Bond maturing 5 (five) years from Settlement Date;
“Settlement Date”	The date on which payment is received by the National Treasury from a Purchaser of the Retail Bond, subject to all the Terms and Conditions of Purchase having been complied with;
“Terms and Conditions of Issue”	The terms and conditions of issue of the Retail Bonds which form a binding legal contract between the Registered Holder and the Issuer, which Terms and Conditions of Issue appear at the back of the Application Form and are attached hereto as Annexure “A” ;
“Terms and Conditions of Purchase”	The terms and conditions of purchase attached to the Application Form;
“Unique Investor Number”	The number that shall be provided by the National Treasury upon receipt of an application to purchase a Retail Bond, which number must be quoted as a reference number when making a deposit at any of the Designated Banks;

“Yield”	The return on a Government Bond fixed interest bearing asset for the duration of the bond; and
“Yield Curve”	The graphical depiction of the relationship between the yields (rates) on bonds of the same credit quality, but having different maturities. The yield curve is constructed from the observation of prices and yields in the RSA Government Bond Market.

SUMMARY OF THE RETAIL BONDS

The following summary contains some of the investment considerations relating to the Retail Bond. This summary does not purport to be complete and is taken from, and is qualified in its entirety by the remainder of this Manual. We urge you to read the entire Manual, together with the Terms and Conditions of Issue appearing at the back of the application form before making an investment in any of the Retail Bonds.

¥ The National Treasury has on issue, 3 (three) series of RSA Fixed Rate Retail Bonds, i.e. a 2-year Retail Bond, a 3-year Retail Bond and a 5-year Retail Bond. Different Interest Rates shall apply to each of the Retail Bonds series;

¥ The Retail Bonds will be available for purchase from the Issue Date, being 24 May 2004, until withdrawn from Issue by the National Treasury within their sole and absolute discretion, from

which time the Retail Bonds will no longer be available for purchase;

- ¥ The minimum Capital Amount that can be invested in any Retail Bond is R1,000.00 (one thousand Rand) per Retail Bond per purchase, with a maximum of R1,000, 000.00 (one million Rand) for an individual s Portfolio;
- ¥ Each of the Retail Bonds will earn a market-related fixed Interest Rate, priced off the current Government Bond Yield Curve, payable semi-annually on Interest Payment Dates until the Maturity Date.
- ¥ An Investor may elect not to receive his or her Interest payments on the Interest Payment Dates, but rather to reinvest his or her Interest payments, which reinvested Interest shall form part of the Capital Balance and shall attract Interest at the same Interest Rate as the Capital Amount. A Purchaser must indicate such option on the Retail Bond Application Form. This option may only be exercised once, on date of application, and may not be exercised after Settlement Date;
- ¥ The Capital Balance will be repaid to the Investor on Maturity Date, which will be a date either 2 years (for a 2-year Retail Bond), 3 years (for a 3-year Retail Bond) or 5 years (for a 5-year Retail Bond) from Settlement Date. For further information on Maturity Date and repayment on Maturity Date, see paragraph 10 below;
- ¥ An Investor may withdraw a portion or the entire Capital Amount or Capital Balance invested before Maturity Date, but only after

12 (twelve) months from the Settlement Date, subject to a Penalty being imposed on the Early Withdrawal Amount. If an Investor so requires, he or she must make a request to the Issuer by completing the relevant form available from the Issuer. For further information on Early Withdrawals and the implications of such withdrawals including Penalties, see paragraph 11 below.

- ¥ The National Treasury reserves the right, within its sole and absolute discretion, to allow withdrawals prior to the expiry of 12 (twelve) months and shall grant an Investor the right to so withdraw prior to the expiry of 12 (twelve) months, only upon receipt of written representation setting out extraordinary circumstances warranting such withdrawal. Furthermore, the Issuer shall have the right to determine what constitutes extraordinary circumstances. An interest penalty will also apply to such a withdrawal.

- ¥ Payment of the Capital Amount shall only be accepted by the National Treasury, in South African Rand, and not in any other currency. If you are a South African citizen residing outside the Republic, you may only purchase a Retail Bond by making payment in Rand through a financial institution in the Republic;

- ¥ The RSA Retail Bonds are non-marketable securities and are not listed on BESA. You may only purchase RSA Retail Bonds directly from the National Treasury, through its office of the Asset and Liability Management Division. Applications may either be made electronically via the Internet or by completing an application form and posting it to the office of the Asset and Liability

Management Division or by lodging your application with any branch of the Post Office. Early Withdrawals must be applied for through the Asset and Liability Management Division. Further information on how to purchase any of the RSA Retail Bonds is set out in paragraph 18 below. Further information on repayment by the Issuer on Maturity Date is set out in paragraph 10 below;

¥ Only natural persons over the age of 18 (eighteen) years, who are citizens or permanent residents of the Republic are eligible to purchase any of the Retail Bond series. Persons under the age of 21 (twenty one) must receive parental consent before investing in the Retail Bonds, unless such minor is married, or has been granted majority status in accordance with the provisions of the Age of Majority Act, 1972 (Act No. 57 of 1972);

¥ Retail Bonds are registered securities. They are owned exclusively by a person registered in the Retail Bond Register and can only be redeemed by the Registered Holder.

This Manual will provide you with important information to help you make decisions regarding the purchase of any of the Retail Bond Series. Further questions may be referred to the Asset and Liability Management Division of the National Treasury. See paragraph 20 below for Contact Details .

1. INTRODUCTION

The Asset and Liability Management Division of the National Treasury is responsible for managing the Government's assets and liabilities portfolio in a manner that ensures the optimal management of the Government's domestic and foreign debt portfolio.

The Asset and Liability Management Division is divided into four sections, i.e. Liability Management, Financial Operations, Strategy and Risk Management, and Asset Management.

The Liability Management section provides for the Government's liquidity needs and ensures prudent management of both domestic and foreign debt by issuing debt instruments at the lowest possible cost, subject to acceptable levels of risk. The section also contributes to the development of the domestic capital markets and timely servicing of debt.

To finance the budget deficit during each fiscal year, the Liability Management section issues various types of financial instruments to the capital and money market (i.e. plain vanilla Government Bonds, variable rate Government Bonds, consumer price index (CPI) linked Government Bonds and treasury bills). Investors such as banks, brokers, pension funds, insurance companies, foreign investors and individuals usually buy these Government Bonds for different reasons.

In the Budget Review of 2003/04, the Minister of Finance announced that the Asset and Liability Management Division would introduce new securities for the retail savings bond market during the first quarter of the 2004 calendar year. The National Treasury, with effect from 24th May 2004, has on issue a 2-year, 3-year, and 5-year Retail Bond in order to provide more savings options for ordinary citizens, as well as to encourage savings in the Republic. The purpose of the Retail Bonds is to provide private individuals with an opportunity to invest in Government issued securities. The main objectives of the Issue are to-

¥ create awareness amongst the general public of the importance to save;

¥ diversify the financial instruments on offer to the market;
and

¥ target a different source of funding.

The Retail Bonds are available in 3 (three) maturities, i.e. 2 (two) years; 3 (three) years; and 5 (five) years from each Settlement Date. All the Retail Bonds earn market-related fixed Interest Rates from Settlement Date, which Interest Rates are priced off the current Government Bond Yield Curve and Published from time to time by the Issuer.

Retail Bonds are backed by the full faith and credit of the Government.

2. ABOUT THIS MANUAL

This Manual explains selected features of the Retail Bonds, as well as some investment considerations relating to these bonds. You can consult this Manual to determine how to buy any of the Retail Bonds. It explains what you must do in order to acquire any of the Retail Bonds. This Manual only explains the features and conditions of the Retail Bonds and thus, it is not a legally binding document. Each Retail Bond is subject to the Terms and Conditions of Issue appearing at the back of the Application Form, together with the Terms and Conditions of Purchase attached to the Application Form. The Terms and Conditions of Issue and Terms and Conditions of Purchase will be incorporated by reference to the Retail Bond issued, and by signing the Application Form and upon making payment to the Issuer, you will be deemed to have accepted the said Terms and Conditions of Issue and the Terms and Conditions of Purchase. The Terms and Conditions of Issue and the Terms and Conditions of Purchase each constitute a legally binding agreement between the Purchaser and the Issuer. In the event of a conflict between the Terms and Conditions of Issue or the Terms and Conditions of Purchase and this Manual, the Terms and Conditions of Issue and the Terms and Conditions of Purchase shall take precedence to this Manual.

3. OVERVIEW OF BENEFITS

3.1. Attractive Interest Rates

The Retail Bonds offer market-related fixed Interest Rates priced off the current Government Bonds Yield Curve, calculated from Settlement Date and payable on Interest Payment Dates. The Interest Rate on each Retail Bond shall be the Prevailing Interest Rate for each of the Retail Bond Series at Settlement Date, and shall remain fixed for the term of the investment, i.e. until Maturity Date.

3.2. Taxation and Exemption on Interest Earned

A portion of your earnings on Retail Bonds may be exempt from taxation in accordance with the provisions of the Income Tax Act, depending on your personal circumstances. See paragraph 9 below for further details on taxation.

3.3. Safety and Risk Factors

Retail Bonds are issued by the Government, through the National Treasury and are backed by the full faith and credit of the Government. The Capital Amount invested and the Interest you will earn on your capital is safe and cannot be lost due to changes in the bond market. The Issuer reserves the right to no longer make available the Retail Bonds for purchase, by notification of the Final Issue Date, which date will be decided by the Issuer in its sole and absolute

discretion and published in financial newspapers in the Republic and on the RSA Retail Bond website.

Such termination shall not affect your investment in the Retail Bonds that you may have purchased before the Final Issue Date. The Capital Amount will remain invested until Maturity Date, or until withdrawn by you as an Early Withdrawal in accordance with the Terms and Conditions of Issue.

3.4. Affordability

You may purchase any Retail Bond for a minimum of R1,000.00 (one thousand Rand) per Retail Bond per purchase. You may increase your investment at any time by purchasing further Retail Bonds, subject to your total Portfolio not exceeding an amount of R1,000, 000.00 (one million Rand), and subject to each purchase of each Retail Bond being a minimum of R1,000.00 (one thousand Rand). No fees or charges will be payable to the National Treasury for the administration of the investment.

3.5. Accessibility

Government Bonds are generally fixed rate, fixed term bonds and as such, are only repayable by the Issuer on the Maturity Date. The Government has granted an exception with the Retail Bond. You may request early repayment (Early Withdrawal) of a portion or your entire Capital

Balance at any time after 12 (twelve) months from Settlement Date. Early Withdrawals will be subject to an interest rate penalty (the Penalty) being imposed on that portion of the Capital Balance being withdrawn prior to Maturity Date. The Issuer reserves the right, within its sole and absolute discretion, to allow withdrawals prior to the expiry of 12 (twelve) months from Settlement Date, and only on written representation setting out extraordinary circumstances warranting such withdrawal. See paragraph 11 below for more information on Early Withdrawals and the Penalty payable on Early Withdrawals. See paragraph 10 below for more information on repayment by the Issuer on Maturity Date.

3.6. Eligibility

Only natural persons from the age of 18 (eighteen) years, who are citizens or permanent residents of the Republic, and who operate a bank account with a financial institution in the Republic, are eligible to purchase any of the Retail Bonds. Persons aged 18 (eighteen) and above, but under the age of 21 (twenty one) must receive parental consent before investing in the Retail Bonds, unless such a person is married, or has been granted majority status in accordance with the provisions of the Age of Majority Act, 1972 (Act No. 57 of 1972).

South African citizens who are resident outside the Republic can only purchase the Retail Bond if they operate a bank

account with a financial institution in the Republic. Legal entities in the form of private companies, public companies, trusts, investment organisations, stokvels and other like entities are not eligible to purchase any of the Retail Bond Series.

4. THE ISSUER

The Retail Bonds are issued by the Government, represented by the National Treasury, through its Asset and Liability Management Division. The Minister of Finance is empowered to borrow on behalf of the Government in terms of section 66 (2) (a) of the PFMA.

5. THE OFFER

The Government has on Issue to citizens or permanent residents of the Republic, 2-year, 3-year and 5-year Retail Bonds, with a two year, three year and a five year Maturity respectively. The Retail Bonds will be issued on the 24th day of May 2004 and will remain available for purchase until withdrawn by the National Treasury within its sole and absolute discretion.

6. PURCHASE LIMITS

The minimum Capital Amount that you can invest in any of the Retail Bonds is R1,000.00 (one thousand Rand) per investment. You may, however, increase your investment in

any of the Retail Bonds by buying more of any of the Retail Bonds, subject to your Portfolio at any time not exceeding an amount equal to R1,000,000.00 (one million Rand), and each Capital Amount being a minimum of R1000.00 (one thousand Rand).

7. INTEREST RATES AND INTEREST PAYMENTS

The Capital Balance will earn a market-related fixed Interest Rate from Settlement Date to Maturity Date, unless the full Capital Balance is withdrawn before Maturity Date, in accordance with the provisions of paragraph 11 below.

Each Retail Bond will be issued at the Prevailing Interest Rate for each of the Retail Bond Series at Settlement Date. The Prevailing Interest Rate will be Published by the Issuer from time to time. The Prevailing Interest Rate for any Retail Bond will be the most recently Published interest rate for a 2-year Retail Bond, a 3-year Retail Bond or a 5-year Retail Bond before the Settlement Date. The Prevailing Interest Rate for each of the Retail Bond Series will be priced off the current Government Bond Yield curve as quoted by the BESA. The reasons are mainly that: -

¥ Government Bonds are free of default risk; and

¥ The liquidity (tractability) of Government Bonds.

The key function of the yield curve is to serve as a

benchmark for pricing bonds and setting yields in other sectors of the Capital Market.

The rates for the 2-year, 3-year and 5-year Retail Bond will be determined by interpolating the equivalent yields of a 2-year, 3-year or 5-year Government Bond on the 1st day of each month. The Prevailing Interest Rate will be rounded upwards to the nearest quarter of a percent.

Should you wish to purchase any of the Retail Bonds, you must enquire from the National Treasury what the Prevailing Interest Rate is at that particular time for the Retail Bond Series that you wish to purchase, as the Prevailing Interest Rate may change from time to time. The Prevailing Interest Rate may also change between the date on which you enquire as to the Prevailing Interest Rate and Settlement Date. This may occur if the time lapse between the date of your enquiry and the Settlement Date occurs over a calendar month-end.

As a policy, and not a rule, the Issuer will change the Prevailing Interest Rate if the yield (rate) of the Government Bonds moves (negatively or positively), as measured from the last Business Day of each month to the last Business Day of the following month, by more than 50 basis points (0,50%).

If there are any changes in the Prevailing Interest Rate, the Prevailing Interest Rate will be effective from the 1st day of each month and the revised Prevailing Interest Rates will be Published in the financial newspapers in the Republic and on the National Treasury Retail Bond website at www.rsaretailbonds.gov.za. You may also obtain the Prevailing Interest Rates from any branch of the Post Office or call the Asset and Liability Management Division of the National Treasury to enquire about the Prevailing Interest Rate. See Paragraph 20 below for contact details. ***It is important to note that the Interest Rate determined at Settlement Date shall be fixed for the term of the investment, even though the Prevailing Interest Rates may fluctuate from time to time.*** Such fluctuations will not affect the Interest Rate of your investment, once made.

Interest due on each of the Retail Bonds will be payable into the Designated Bank Account, semi-annually, on Interest Payment Dates. You will have an option to have all of your Interest payments reinvested, in which event all the Terms and Conditions of Issue applicable to your Capital Amount will apply to the reinvested Interest. You will need to exercise such option on the Application Form on application date. The option to reinvest the interest may not be exercised after Settlement Date. Once you have elected to reinvest your Interest, you may not subsequently elect to have the Interest paid out to you on the Interest Payment Dates.

7.1. Calculation of Interest

The Asset and Liability Management Division will, 1 (one) calendar month before the Interest Payment Date, i.e. the Books Closed Date, calculate interest payable on all Retail Bonds. The Interest payment for the Retail Bonds will be calculated using the Interest Rate applicable to each Retail Bond.

Each Retail Bond held by an Investor will receive Interest at the Interest Rate applicable to that particular Retail Bond on the First Interest Payment Date. Interest will be paid on the Capital Amount from Settlement Date to the First Interest Payment Date. Interest on Retail Bonds purchased after the Books Closed Date, will not be paid Interest on the Interest Payment Date following the Books Closed Date, but will only receive Interest on the following Interest Payment Date. The Interest payment on the following Interest Payment Date will be the Interest calculated from the Settlement Date, to such following Interest Payment Date.

When an Interest payment term is not a full six months, either the first Interest payment, the last Interest payment or the Interest payment as part of a withdrawal, Interest will be calculated on the actual number of days that have elapsed. For full Interest payment terms (i.e. the last Interest Payment Date was either 31st March or 30th September and the next Interest Payment Date is either 30th September or 31st March), Interest will be calculated on a

semi-annual basis which means that the Capital Balance will be multiplied by the Interest Rate and then divided by two. If the Registered Holder has elected to reinvest the Interest in accordance with this paragraph 7, then the Interest will be reinvested on the Interest Payment Date at the Interest Rate.

If a Registered Holder has made an Early Withdrawal, the Interest on the Early Withdrawal Amount from the Last Interest Payment Date to the Early Withdrawal Date will be paid out on the calculated Early Withdrawal Date, minus the Penalty. Interest on the early Withdrawal Amount will cease to accrue from the Early Withdrawal Date.

7.2. Payment of Interest

On Interest Payment Date, the Interest due will only be payable into a Designated Bank Account as stipulated in your Application Form, unless your notice of change of banking particulars is received at least 10 (ten) Business Days prior to the Books Closed Date. Therefore, you will require a bank account with any of the financial institutions in the Republic. Interest will not be paid in any other currency nor will the Interest be payable into any other bank account outside the Republic, but only into a Designated Bank Account with a financial institution in the Republic.

You may reinvest any of the Interest payable to you by making an election to that effect on the Application Form.

Should you exercise this option, your Interest will be consolidated into your Capital Amount invested, and all terms and conditions applicable to your Capital Amount, shall apply to the reinvested amount, and shall equally earn Interest at the same Interest Rate as your Capital Amount.

Where the Issuer initiates payment into a Designated Bank Account, neither the Issuer nor any staff of the National Treasury will be liable for any failure or delay of the Designated Bank in crediting the Designated Bank Account; or any failure or delay in any part of the electronic transfer process which is beyond the National Treasury's control. Under no circumstances will Interest be paid by cheque.

Should your bank details change at any point, the National Treasury must be notified, in writing within 10 (ten) Business Days of Books Closed. Failure to timeously notify the National Treasury will result in your Interest being paid into the Designated Bank Account.

7.3 Interest Payment Dates

Interest payments will be made on the Interest Payment Dates, being the 31st March and 30th September in each year as well as on Maturity Date if Maturity Date does not fall on 31st March or 30th September. In the event that an Interest Payment Date falls on a day that is not a Banking Day, payment of your interest shall be effected on the next Banking Day after the Interest Payment Date. No further

Interest will accrue to you as a result of the Interest Payment Date falling on a day that is not a Banking Day.

8. INVESTMENT LIMITS

You can only invest a minimum Capital Amount of R1,000.00 (one thousand Rand) per Retail Bond, up to a maximum of R1,000,000.00 (one million Rand) for your entire Portfolio of Retail Bonds. Should you wish to withdraw a portion of the Capital Amount invested, the Capital Balance MUST NOT be less than R1,000.00 (one thousand Rand) after withdrawal. You are therefore not able to have less than R1,000.00 (one thousand Rand) at any time invested in any Retail Bonds.

9. TAXATION

The provisions of the Income Tax Act pertaining to interest will apply to all Interest earned on Retail Bonds. As a general rule, investors will accordingly treat interest received by way of Interest as ordinary revenue for purposes of the income tax. You may, however, receive a limited amount of interest tax-free, as part of the general exemption on the amount of interest earned. Under this exemption, persons under the age of 65 (sixty five) may annually receive up to R11,000.00 (eleven thousand Rand) of interest earned tax-free, while individuals aged 65 (sixty five) years or older may have up to R16,000.00 (sixteen thousand Rand) of their interest earned in a tax year

exempted from taxation in terms of the Income Tax Act. You are, however, advised to consult your own Tax Consultants for advice on how the Interest payments received on any of your Retail Bonds may be treated in terms of the Income Tax Act.

Retail Bonds are not subject to Stamp Duty or Marketable Securities Tax.

You may request your tax certificates, audit confirmations and other requirements from the Asset and Liability Management Division. Requests may also be made electronically (see paragraph 20 below for Contact Details).

10. MATURITY DATES AND REPAYMENT

A Retail Bond can only be invested for 2 (two) years, 3 (three) years or 5 (five) years. You have an option to determine the period for which you wish to hold your investment, which option you can only exercise on application and not at anytime thereafter. The investment period will commence on the Settlement Date.

At least 6 (six) weeks prior to your Retail Bond s Maturity Date, you will receive notification from the National Treasury of any Retail Bonds that are due for maturity. The notification will only be forwarded to your correspondence

address as stipulated in the latest instructions or Application Form received.

You will have the option to reinvest the Capital Amount in any 2-year Retail Bond, 3-year Retail Bond or 5-year Retail Bond at the Prevailing Interest Rate, subject to the Retail Bonds still being in issue. Should you wish to do so, you must return a duly completed “**Option to Reinvest Form**” to the Issuer within 30 (thirty) days of Maturity Date. The Interest Rate for reinvestment thereof shall be the Prevailing Interest Rate on the first Business Day following the Maturity Date, which date will be the Settlement Date of the Retail Bond acquired with the Capital Balance of the maturing Retail Bond. The new Retail Bond shall be subject to the Terms and Conditions of Issue, as amended.

Should you elect not to have the Capital Balance reinvested for a further period, or should the National Treasury not receive your Option to Reinvest Form within the period stipulated above, the Capital Balance, together with any interest payable at Maturity Date, will be paid to you by means of a direct deposit, into your Designated Bank Account. The Capital Balance shall only be paid to the Registered Holder. You cannot give instructions to have the Capital Balance deposited into a third party's bank account.

Should you require that your capital repayment instruction be different from your Interest payment instruction, you

must forward a written notice to the National Treasury together with a copy of a bank statement to prove that the account is in your name (this is for your protection). Failure to notify the National Treasury of your amended details or particulars shall result in your Capital Amount and any Interest being deposited into the Designated Bank Account reflected in your Application Form of your last instruction.

In the event that a Registered Holder dies before Maturity Date, the Capital Amount shall be paid out in accordance with the provisions of paragraph 15 below.

11. EARLY WITHDRAWALS AND RESTRICTIONS ON EARLY WITHDRAWALS

You may withdraw either a portion or your entire Capital Balance at any time after 12 (twelve) months of the Settlement Date, but before the Maturity Date. You are thus required to have your Capital Amount invested for a minimum period of 12 (twelve) months before you apply for an Early Withdrawal. In addition, you are subject to the minimum investment limit of R1000.00 (one thousand Rand) per Retail Bond as described in paragraph 8 above. If the Early Withdrawal will give rise to an investment in any Retail Bond falling below R1000.00 (one thousand Rand) you will have to decide whether to withdraw the entire Capital Balance, or not to effect the Early Withdrawal.

Interest on the Early Withdrawal Amount from the previous Interest Payment Date, or from Settlement Date if the First Interest Payment Date has not yet occurred, will be calculated and paid on Early Withdrawal Date. However, an interest rate penalty (the Penalty) will be imposed on the Early Withdrawal Amount.

The Penalty will be calculated in accordance with the following formula:

$$\frac{a}{1} \quad \times \quad \frac{1}{b}$$

where

“a” is the total amount of Interest received on the Early Withdrawal Amount, including the Interest payable at date of withdrawal; and

“b” is the total number of times that Interest was received, including the Interest payable at Early Withdrawal Date.

This effectively means that the Penalty is one Interest payment on the Early Withdrawal Amount. The Penalty will be deducted from the Early Withdrawal Amount before being repaid to you.

Should you wish to make an Early Withdrawal, you may do so by submitting an application to the National Treasury on the prescribed application form. Copies of the prescribed

application forms can be obtained from the National Treasury or can be downloaded from the RSA Retail Bond website at **www.rsaretailbonds.gov.za**.

Payment of the Early Withdrawal Amount, less the Penalty, shall be made into the Designated Bank Account within 20 (twenty) Business Days from the date of receipt of the application. No cheques will be issued by the National Treasury for any reason whatsoever. You may also not direct the National Treasury to credit any third party account with the amount applied for, or any Interest accruing to you as a Registered Holder.

You may be allowed to withdraw a portion or your entire Retail Bond within the first 12 (twelve) months of the Settlement Date, but only on the grounds of extraordinary change in your personal circumstances. In such an event, you must submit a formal application to the National Treasury setting out the particulars of such extraordinary change in circumstances, which compels you to withdraw any portion of your entire Retail Bond prior to the expiry of the 12 (twelve) months after Settlement Date. The Issuer reserves the right within their sole and absolute discretion to grant or refuse the request. Should the request be granted, the penalty for withdrawal prior to the expiry of 12 (twelve) months from Settlement Date shall be a total forfeiture of all Interest received prior to such withdrawal, which amount shall be set-off against that portion of the Capital Balance being withdrawn.

12. PROOF OF OWNERSHIP AND MAINTENANCE OF A REGISTER

The National Treasury shall maintain a Register of all Registered Holders. No certificates shall be issued to a Registered Holder as proof of ownership. Upon receipt by the National Treasury of your Capital Amount invested, your name and particulars shall be entered in the Register, subject, however, to you satisfying all other conditions of acceptance and you being eligible to invest in the Retail Bond. An official letter will be forwarded to you confirming that your name has been registered in the Register as a Registered Holder. The Register shall be the only conclusive proof of your ownership of any of the Retail Bonds.

13. STATEMENTS OF INVESTMENT

A Registered Holder of any of the Retail Bonds will be issued with a statement of account setting out:

- ¥ A Unique Investor Number allocated to you;
- ¥ Your personal particulars;
- ¥ The Capital Amount(s) invested in each Retail Bond;
- ¥ The Interest Rate payable on each of the Retail Bonds

and whether the Interest will be paid out into the Designated Bank Account or whether it shall be capitalised on Interest Payment Dates;

- ¥ Your Settlement Date for each Retail Bond, from when Interest on your Retail Bond will be calculated;
- ¥ The type of Retail Bond(s) you have invested in, and the Maturity Date(s) of your respective Retail Bonds;
- ¥ Confirmation of nomination of beneficiaries and their particulars; and
- ¥ Particulars of the Designated Bank Account, being the account in which Interest on your Capital Amount will be paid, including the Capital Amount payable on Maturity Date.

Should the statement reflect any incorrect particulars, you must draw this to the attention of the National Treasury within 30 (thirty) days of receipt of the statement. Any enquiries must be lodged in writing with the Asset and Liability Management Division as mentioned above (also see details below).

Statements will be forwarded to all Registered Holders at each Interest Payment Date. Should you, however, at any time require a statement of your investment, you may submit your written request by post or email to the Asset and Liability Management Division. A statement will be

issued to you within 10 (ten) Business Days of receipt of your written request.

14. TRANSFERABILITY

Retail Bonds are non-marketable securities and are not listed on BESA. You cannot sell, encumber, or transfer your rights in any of the Retail Bonds to a third party, except on the death of the Registered Holder as provided for in Paragraph 15 below. You may therefore not use any of the Retail Bonds as collateral for a loan or as security for the performance of an obligation. Only a Registered Holder can receive Interest on any of the Retail Bonds and redeem the Capital Amount on Maturity Date from the National Treasury. You will remain the Registered Holder of the Retail Bonds until either maturity date, or you redeem your Retail Bond(s), or are removed from ownership as a result of withdrawal, you remain the Registered Holder.

15. DEATH OF A REGISTERED HOLDER

In the event of the death of a Registered Holder before the Maturity Date, ownership of his or her Retail Bond shall —

¥ In the event of a beneficiary being nominated, be repaid to the nominated beneficiary, which repayment shall be treated as an Early Withdrawal; or

¥ In the event of there being no nominated beneficiary, the

Retail Bond shall either be transferred into the name of the deceased estate or be redeemed in full at the request of the Executor, which payment shall be treated as an Early Withdrawal, and be payable to an account determined by the Executor.

Should you wish to nominate a beneficiary or beneficiaries, you shall complete the relevant portion of the Application Form. The beneficiary or beneficiaries chosen shall be the registered beneficiaries for all Retail Bonds held by a Registered Holder. In the event of you nominating more than one beneficiary, all beneficiaries shall be ranked equally.

A letter of executorship issued by the Master of the High Court of the Republic of South Africa is required before the National Treasury can register the Retail Bond(s) in the name of the deceased estate.

16. DISCHARGE OF LIABILITY

The Issuer shall be deemed to have discharged its obligations to make payment to the Registered Holder in respect of Interest, Early Withdrawals and/or repayment of the Capital Balance on the Maturity Date whenever the Issuer makes payment into the Designated Bank Account.

17. CHAIN LETTERS AND PYRAMID SCHEMES

Retail Bonds may not be used as part of any chain letter or pyramid scheme. If you are approached to participate in a chain letter involving Retail Bonds, you must ignore the request. The Issuer shall not be liable for any loss or damage suffered by you as a result thereof.

18 HOW TO INVEST

You may purchase the Retail Bond in any of the following 3 (three) ways:

- ¥ by purchasing the Retail Bond directly from the Post Office by following the process set out in paragraph 18.3 below; or
- ¥ by pre-registering with the National Treasury and making direct payment(s) into any of the National Treasury Bank Accounts upon receipt of a notice requesting you to make payment(s). See Paragraph 18.2 below on how you can pre-register with the National Treasury; or
- ¥ by purchasing the Retail Bond online from **www.rsaretailbonds.gov.za**. See paragraph 18.1 below on how to electronically purchase any of the Retail Bond Series.

18.1. Electronic Purchases

You may also purchase any of the Retail Bonds through a secure electronic website, 24 (twenty four) hours a day, 7 (seven) days a week and 365 (three hundred and sixty five) days a year. Should you choose this method of purchasing the Retail Bond, YOU MUST electronically register as an on-line investor at **www.rsaretailbonds.gov.za** by following the registration instructions on the website.

The registration process will require you to provide the National Treasury with your preferred user name and password. Upon acceptance by the National Treasury of your user name and password, you will receive an electronic message from the National Treasury providing you with your Unique Investor Number and requesting you to proceed to complete the electronic Application Form.

Upon receipt of the electronic message and Unique Investor Number you must follow the instructions on the electronic message by completing the electronic Application Form and submitting it online following the instructions on the website. ***Failure to comply with the instructions will result in your application not being effectively processed.***

Upon receipt of your electronic Application Form, the National Treasury will verify your particulars and once satisfied that all conditions of application have been complied with, you will receive an electronic message

setting out instructions on how to make payment(s) of the Capital Amount you wish to invest in the Retail Bond.

Upon receipt of this message you will have an option to effect payment either electronically or by making direct deposit into the National Treasury Bank Account with one of the Designated Banks not later than the payment date set out in the notice. Should you opt to make a direct deposit into the National Treasury Bank Account, the terms and conditions set out in Paragraph 18.2 below regarding payment shall apply.

If you are under the age of 21 (twenty one), not married and have not been granted majority status in terms of the Age of Majority Act, 1972 (Act No. 57 of 1972), you may not submit your application form electronically as the authority of your parent or guardian is required in writing. You must therefore use the application method set out in paragraphs 18.2 or 18.3 below.

If you choose to effect your payment *electronically* **YOU MUST QUOTE YOUR UNIQUE INVESTOR NUMBER AS A REFERENCE WHEN MAKING ELECTRONIC PAYMENT.**

In the event that the amount reflected in the electronic application differs from the amount deposited into the National Treasury Bank Account at the Designated Bank, the National Treasury shall reject your application. In the event of your application being rejected, the National

Treasury shall credit the bank account from which payment was received to the value of the amount received. **Note that the National Treasury shall not effect refunds by cheque.** No Interest shall be payable on any rejected applications.

Should you choose the electronic method of application, the Settlement Date of your Retail Bond shall be the date of receipt of payment for the amount you wish to invest.

18.2. Paper-Based Application Process

You may also invest in the Retail Bond by completing an Application Form obtainable from the National Treasury, any branch or outlet of the Post Office, or downloaded from the RSA Retail Bond website.

The duly completed application form, together with a certified copy of your Identity Document must either be hand delivered to the National Treasury at 240 Vermeulen Street, (corner Andries and Vermeulen Street) Pretoria, marked for the attention of ***“The Head, Asset and Liability Management Division”***, or sent by post to the following address ***“The Head, Asset and Liability Management Division, The National Treasury, Private Bag X115, Pretoria, 0001”***.

Upon receipt of your Application Form, the National Treasury shall verify your particulars and once satisfied that you have complied with all conditions of application, issue

you with a notice setting out your Unique Investor Number, which number you will require in making payment at one of the Designated Banks.

Notification to you will be by way of a letter through the post or by email, depending on your preferred method of correspondence specified on your Application Form.

Upon receipt of the notice setting out your Unique Investor Number, you must make payment of the Capital Amount you wish to invest in the Retail Bond not later than the payment date set out in the notice. Payment must be made either electronically by means of electronic banking, or by depositing the Capital Amount into the National Treasury Bank Account at any of the Designated Bank(s) set out in the notice.

YOU MUST QUOTE YOUR UNIQUE INVESTOR NUMBER AS A REFERENCE WHEN MAKING PAYMENT AT THE DESIGNATED BANK OR ELECTRONICALLY.

If payment is made by cheque, the cheque must be a Bank Guaranteed Cheque and made out to the ***“National Treasury”*** and marked ***“Not Transferable”***. You should write your Unique Investor Number on the back of the cheque to facilitate the reconciliation of the cheque with the Retail Bond application. You may not make payment partly in cash and partly by means of a cheque. You may also not make payment by means of a cheque drawn by a third party to the National Treasury, except where the cheque is drawn

by a Bank in favour of the National Treasury. You may make payment by means of either a credit card or debit card, which credit card or debit card must be in the name of the Purchaser. Payment may be made partly by way of cash and partly by way of credit or debit card.

In the event of the amount reflected in the Application Form being different from the amount deposited, the National Treasury shall reject your application in its entirety. In the event of your application being rejected, the National Treasury shall credit your Designated Bank Account with the value of the amount received. ***Note that the National Treasury shall not effect refunds by cheque.*** No Interest will be payable on any rejected applications.

Should you choose to deposit funds into the National Treasury Bank Account with any of the Designated Banks, your Settlement Date shall be the date of payment.

The National Treasury shall not be liable for any delays and inconvenience you may experience as a result of your application being mislaid or not reaching the National Treasury timeously.

18.3. Purchases through the Post Office

You may purchase Retail Bond(s) directly through any branch or outlet of the Post Office. You will be required to complete an Application Form which you can obtain from

the National Treasury or the Post Office. After completing the Application Form you can make payment directly to the Post Office. You must have a valid Identification Document (and not a driver s license or a passport), which you will be required to present to the Post Office teller upon submitting your Application Form. The Post Office teller will retain a photocopy of your Identification Document for submission to the National Treasury.

The Post Office will verify your particulars to ensure that you are eligible to invest in the Retail Bond, subject to further verification by the National Treasury. The National Treasury shall be entitled to disqualify your purchase in the event that on any further verification it is found that you are not eligible to invest in the Retail Bond or you have failed to comply with all requirements of application.

You may make payment of the Capital Amount either in cash or by means of a Bank Guaranteed Cheque, crossed and marked “**Not Transferable**” and issued in favour of the Post Master. You may not make payment partly in cash and partly by way of a bank guaranteed cheque. Where the cheque is not a bank issued cheque, the cheque must be an own cheque. Thus you may not make payment by means of a third party cheque endorsed to the Post Office. You may also make payment by way of credit card or debit card, if the Post Office at which you are making payment accepts credit cards and/or debit cards. You may also pay partly by means of cash and partly by means of credit card or debit card.

The Post Office will issue you with a receipt confirming your purchase and the Capital Amount invested in the Retail Bonds. **NOTE THAT THE INTEREST RATE THAT MAY BE REFLECTED ON YOUR RECEIPT IS ONLY INDICATIVE AND IS SUBJECT TO CONFIRMATION BY THE NATIONAL TREASURY.** Within 1 (one) month of your purchase, you will receive a statement from the National Treasury. See paragraph 13 above for further particulars on Statements. Should you not receive a statement from the National Treasury within 1 (one) month of making your purchase, you must contact the National Treasury to enquire about the status of your application. You shall be requested to provide the National Treasury with your Identification Number to enable the National Treasury to speedily access your application.

In the event of your application being rejected, the National Treasury shall credit your Designated Bank Account to the value of the amount received. No Interest shall be payable on any rejected applications.

19. ACCEPTANCE OF YOUR APPLICATION

Your purchase is subject to the following conditions:

- ¥ On receipt of the Application Form, the National Treasury will verify the information provided to ensure that you have complied with all requirements of the application;

- ¥ If you are under the age of 21 (twenty one) and you are not married, your application form must be co-signed by your guardian/parent. In the event that you have been granted majority status in terms of the Age of Majority Act, a certified copy of the certificate must accompany your Application Form;

- ¥ Your ID number will be verified against the copy attached (if submitted through the Post Office or posted to the National Treasury) and with records of the Department of Home Affairs;

- ¥ Where the applicant is acting for, or on behalf of a third party, the Application Form **must be accompanied by an original Power of Attorney**;

- ¥ The amount reflected on the Application Form will be compared with information provided by the Bank or the Post Office to ensure that funds received are cleared funds .

If all information is in order, your purchase will be complete and you will be issued with the Retail Bond(s) to the value of your investment. Your name and personal particulars will be entered in the Register as a Registered Holders.

A formal statement will then be forwarded to you reflecting the following:

- ¥ Your Unique Investor Number, which number you must quote when making enquiries to the Asset and Liability Management Division;
- ¥ Your personal particulars;
- ¥ Your Settlement Date, from when Interest on your Retail Bond will be calculated;
- ¥ The Capital Amount of your investment;
- ¥ The Retail Bond you have purchased and the Maturity Date;
- ¥ The Interest Rate applicable to your Retail Bond;
- ¥ The Interest Payment Dates;
- ¥ Confirmation of payment instructions, i.e. the Designated Bank Account; and
- ¥ Confirmation of nomination of beneficiaries and particulars of the nominated beneficiaries.

20. CUSTOMER SUPPORT SERVICES

The maintenance and management of your investment in the Retail Bond(s) shall be administered by the National

Treasury through the Asset and Liability Management Division. You may contact the National Treasury with any queries and enquiries you may have regarding your investment in the Retail Bond.

You may telephone the National Treasury by dialing the dedicated help line **(012) 315 5888** during office hours, Mondays to Fridays, between 08h00 and 16h00. Should you wish to obtain any information from the National Treasury, you will be required to have the following personal particulars in hand, i.e. full names, your Investor Number, and your ID number.

You may also make written enquiries by facsimile at the following number: **(012) 315 5675** or by email to **queries@rsaretailbonds.gov.za**.

20.1. Application Forms

You may obtain copies of Application Forms in any of the following ways:

¥ by telephonically requesting a copy of the Application Form directly from the Asset and Liability Management Division; or

¥ from the Post Office; or

¥ by downloading the Application Form online at **www.rsaretailbonds.gov.za**.

20.2. Electronic Support

You may also access the RSA Retail Bond website at www.rsraretailbonds.gov.za, where you will find all the information you need to know about managing your investment. The website shall include information on Prevailing Interest Rates, the Manual, Terms and Conditions of Issue, Terms and Conditions of Purchase, the downloadable Application Form and any other aspects of Retail Bond ownership.

You may also access particulars of your investment electronically. For this you will need to register on www.rsaretailbonds.gov.za as an on-line Investor. You will provide your own user name and password, which will become your responsibility and should at all times not be compromised. This user name and password will enable you to view the Portfolio of your Retail Bonds and download your statements.



Trevor Manuel, MP
Minister of Finance

National Treasury
Asset and Liability Management Branch
Private Bag X 115
PRETORIA, 0001
Telephone no. +27 12 315-5888
Facsimile no. + 27 12 315-5675

ANNEXURE A
THE REPUBLIC OF SOUTH AFRICA FIXED
RATE RETAIL BOND OWNER S MANUAL

**REPUBLIC OF SOUTH AFRICA
NATIONAL TREASURY**

TERMS AND CONDITIONS OF ISSUE

**REPUBLIC OF SOUTH AFRICA
Fixed Rate Retail Bond
(Maturing within 2-years, 3-years or 5-years
from Settlement Date)**

Issued by the National Treasury
On behalf of the Government of the RSA
Private Bag X115
PRETORIA, 0001

REPUBLIC OF SOUTH AFRICA

GOVERNMENT ISSUE

Fixed Rate Retail Bond Series

(Maturing within 2-years, 3-years or 5-years from Settlement Date)

TERMS AND CONDITIONS OF ISSUE

The Government of the Republic of South Africa, represented by the National Treasury through the Asset and Liability Division, intends to issue 3 (three) Series of Fixed Rate Retail Bonds as hereinafter defined in the Terms and Conditions set forth herein.

1. INTERPRETATION

In these Terms and Conditions, unless inconsistent with the context, the following expressions shall have the following meanings:

- | | |
|--|---|
| “Application Form” | The Application for the RSA Fixed Rate Retail Bonds , completed by an Investor in applying to invest in Retail Bonds; |
| “Asset and Liability Management Division” | A division within the National Treasury responsible for the administration of the Retail Bonds; |
| “Bank Guaranteed Cheque” | A bank issued cheque, an own cheque endorsed by a bank guaranteeing an amount specified, or a personal guaranteed |

cheque endorsed in accordance with the requirements of the applicable financial institution;

“Banking Day”	Mondays through to Saturday (other than a Sunday or official public holidays in the Republic) on which banks are generally open for business in the Republic;
“BESA”	The Bond Exchange of South Africa;
“Books Closed Date”	In relation to a Interest Payment Date, 1 (one) calendar month preceding the Interest Payment Date;
“Business Day”	Mondays through to Fridays (other than a Saturday, Sunday or official public holidays in the Republic);
“Capital Amount”	The initial amount invested by an Investor to purchase one of the Retail Bond series. Where an Investor has purchased more than one of the Retail Bond series or more than one Retail Bond within a Retail Bond series, the Capital Amount will refer to each of the amounts invested to acquire each Retail Bond within each of the Retail Bond series;

“Capital Balance”

The initial amount invested by an Investor to purchase one of the Retail Bond series, together with all Interest capitalised, if the Investor has elected to reinvest the Interest as described in clause 5 below, less any Early Withdrawals and the Penalty levied in accordance with the provisions of clause 13.2 below. Where an Investor has purchased more than one of the Retail Bond series or more than one Retail Bond within a Retail Bond series, the Capital Balance will refer to each Retail Bond within each of the Retail Bond series;

“Designated Bank”

A bank at which an Investor must make payment of the Capital Amount which he or she wishes to invest in the Retail Bond after receipt of a notice from the National Treasury to effect payment, which notice shall set out the Unique Investor Number which an Investor must quote on making payment of the Capital Amount;

“Designated Bank Account”

The bank account of the Registered Holder wherein the Interest shall be paid on Interest Payment Date, the Early Withdrawal Amount on the date withdrawn and the Capital Balance on Maturity Date;

“Early Withdrawal”	The withdrawal by an Investor of a portion or the entire Capital Balance of any Retail Bond held by him or her prior to Maturity Date, in terms of clause 13 below;
“Early Withdrawal Amount”	The amount of the Early Withdrawal, being the amount requested for withdrawal by the Investor, being portion of or the Capital Balance, less the Penalty;
“Early Withdrawal Date”	The date on which the Early Withdrawal Amount is paid to the Investor;
“Executor”	The Executor of the deceased estate of a Registered Holder;
“First Interest Payment Date”	The date on which Interest is first paid to the Registered Holder, being the Interest Payment Date immediately following the Settlement Date, unless the Settlement Date occurs after the Books Closed Date, in which case the First Interest Payment Date will be on the next following Interest Payment Date;
“Final Issue Date”	The last date on which the Issuer will make available the Retail Bonds for purchase, which date will be decided by the Issuer in its sole and absolute discretion and

published in financial newspapers in the Republic and on the RSA Retail Bond, or in such other manner as the Issuer may determine;

“Fixed Rate RSA Retail Bond”

The fixed rate retail bond issued by the Issuer from Issue Date, available for purchase from Issue Date until withdrawn by the Issuer with their sole and absolute discretion;

“The Government”

The Government of the Republic of South Africa;

“Government Bonds”

The financial instruments issued by the Government and bearing fixed interest rates;

“Income Tax Act”

The Income Tax Act of 1962 (Act No. 58 of 1962), as amended, from time to time;

“Interest”

The interest earned on a Retail Bond, and the term Interest Payment shall have a corresponding meaning;

“Interest Payment Date”

The 31st March and 30th September in each year, plus the Maturity Date if the Maturity Date is not 31st March or 30th September, being the date on which the

Interest on the Retail Bond shall be paid to the Registered Holder in accordance with these Terms and Conditions of Issue;

“Interest Rate”

The fixed interest rate payable to a Registered Holder of a Retail Bond from Settlement Date until the Maturity Date or in the event of an Early Withdrawal Amount, until Early Withdrawal Date which rate shall be the Prevailing Interest Rate on the Settlement Date, which rate shall be fixed from Settlement Date until Maturity Date;

“Investor”

The person who has invested in the Retail Bond and whose name appears on the Register of Registered Holders;

“Investor Number”

The number notified to each Investor by the Issuer upon acceptance of an application to invest;

“Issuer”

The Government of the Republic of South Africa, represented by the National Treasury through its Office of the Asset and Liability Management Division, and the term **“the National Treasury”** shall, depending on the context, have the corresponding meaning;

“Issue Date”	The first date on which the Retail Bonds will be available for purchase, being the 24 th day of May 2004;
“Minister”	The Minister of Finance;
“Maturity Date”	The date on which the Capital Balance becomes due for repayment by the Issuer, being 2 years after Settlement date with respect to any 2-year Retail Bond, 3 years after Settlement Date with respect to any 3-year Retail Bond and 5 years after Settlement date with respect to any 5-year Retail Bond. The terms “maturity” and “mature” shall have a corresponding meaning;
“the National Treasury”	The National Treasury of the Republic of South Africa, established in terms of Section 5 of the PFMA;
“National Treasury Bank Account”	The account held by the National Treasury with any of the Designated Banks;
“Payment Instruction”	The written instruction from the Registered Holder setting out the Designated Bank Account into which payment in the form of Interest Payment, early withdrawals or payment on Maturity are to be made by the Issuer;

“Penalty”	The interest penalty deducted from an Investor’s Capital Balance if he or she withdraws some or all of the Capital Balance before Maturity Date, calculated in accordance with clause 13 below;
“PFMA”	The Public Finance Management Act, 1999 (No.1 of 1999);
“Portfolio”	The total amount invested in any or all of the Retail Bonds by an Investor, being the sum of the Capital Amounts of each Retail Bond;
“Prevailing Interest Rate”	The Interest Rate published from time to time by the Issuer, which shall be the Interest Rate applicable for the 2-year, 3-year and 5-year Retail Bond on Settlement Date;
“Published”	Publication by the Issuer in newspapers in the Republic and on the RSA Retail Bond website from time to time;
“Purchaser”	The Purchaser of a Retail Bond;
“Settlement Date”	The date on which payment is received by the Issuer from a Purchaser of a Retail Bond, subject to all the conditions of Purchase having been complied with;

“Statement”	The statement contemplated in clause 16 herein;
“Register”	The compilation of Registered Holders of Retail Bonds kept by the Issuer;
“Registered Holder”	An owner of a Retail Bond, whose name appears on the Register as such;
“Republic”	The Republic of South Africa;
“Retail Bonds”	The 2-year, 3-year and 5-year Fixed Rate RSA Retail Bonds, and the term series shall have a corresponding meaning;
“2-year Retail Bond”	A Fixed Rate RSA Retail Bond maturing 2 (two) years from Settlement Date;
“3-year Retail Bond”	A Fixed Rate RSA Retail Bond maturing 3 (three) years from Settlement Date;
“5-year Retail Bond”	A Fixed Rate RSA Retail Bond maturing 5 (five) years from Settlement Date;
“Terms and Conditions”	The terms and conditions of Issue of the Retail Bonds set out herein which form a binding legal contract between the Registered Holder and the Issuer;

“Terms and Conditions of Purchase”	The terms and conditions of purchase which must be complied with in order to successfully invest in the Retail Bonds;
“Unique Investor Number”	The number that shall be provided by National Treasury upon receipt of an application to purchase a Retail Bond, which number must be quoted as a reference number when making a deposit at any of the Designated Banks.

2. ISSUER

The Retail Bonds are issued by the Government through its Asset and Liability Management Division of the National Treasury. The Minister is empowered to borrow, on behalf of the Government in terms of Section 66 (2)(a) of the PFMA.

3. PURPOSE OF THE ISSUE

The purpose of the Issue is to raise funds to be used for general purposes of the Government. The main objectives of the Issue are to create awareness amongst the general public of the importance to save, to diversify the financial instruments on offer to the market and to target a different source of funding.

4. METHOD OF ISSUE

The Retail Bonds will be made available to the market from Issue Date by means of application from persons aged 18 (eighteen) and above, who have attained majority status in terms of the law, and are either citizens or permanent residents of the Republic in the manner determined by the Issuer.

5. INTEREST

5.1 The Capital Balance on each of the Retail Bonds shall bear Interest at the Interest Rate payable on Interest Payment Dates.

5.2 Interest may, at the option of the Registered Holder, on application in the Application Form, be reinvested at the Interest Rate in which case Interest will be capitalized on Interest Payment Date.

5.3 Interest will be calculated on the Capital Amount, in respect of the First Interest Payment Date, from Settlement Date until the First Interest Payment Date on the basis of actual days in a 365 (three hundred and sixty five) day year. Thereafter, Interest will be calculated on the Capital Balance from the First Interest Payment Date and subsequent Interest Payment Dates to the next Interest Payment Date on a semi-annual basis.

- 5.4** Interest in respect of a Retail Bond will be paid semi-annually on the First Interest Payment Date and subsequent Interest Payment Dates until Maturity Date to Registered Holders registered in respect of any Retail Bond as at Books Closed Date, unless the Registered Holder has elected to have the Interest reinvested in terms of clause 5.2 above.
- 5.5** If the Interest Payment Date is not a Banking Day, payment will be made on the next Banking Day following the Interest Payment Date without payment of additional interest.
- 5.6** Interest on Early Withdrawal Amounts will be calculated and paid on the Early Withdrawal Date, such interest being calculated from the previous Interest Payment Date (or Settlement Date if the First Interest Payment Date has not yet occurred by Early Withdrawal Date) to Early Withdrawal Date. The Penalty will be deducted from the Early Withdrawal Amount.
- 5.7** Interest will be paid in the currency of the Republic to the Registered Holder by electronic transfer into the Designated Bank Account.
- 5.8** Interest in terms of this clause 5 shall cease to accrue on the Retail Bonds from Maturity Date, or on any Early Withdrawal Amount from Early Withdrawal Date in respect of such Early Withdrawal Amount.

6. FORM OF THE RETAIL BONDS

The Retail Bond shall be represented by registration in the Register and shall not be transferable, save upon the death of the Registered Holder, and in accordance with the provisions of clause 20 below of these Terms and Conditions.

7. STATUS

The Retail Bonds constitute direct, unconditional and unsecured obligations of the Issuer to the Registered Holder and will at all times rank *pari passu* amongst themselves and at least *pari passu* with all other present or future unsecured and unsubordinated obligations of the Issuer for monies borrowed by others.

8. CAPITAL BALANCE

The Issuer's indebtedness at any time in respect of the Retail Bonds shall be the Capital Balance as determined in accordance with these Terms and Conditions.

9. LISTING

The Retail Bonds will not be listed on BESA.

10. SPECIAL PURCHASE CONDITIONS

10.1 Only natural persons aged 18 (eighteen) and above, who have attained majority status in terms of the law, and are either citizens or permanent residents of the Republic are eligible to invest in any Series of the Retail Bonds.

10.2 The minimum Capital Amount that can be invested is an amount equal to R1,000.00 (one thousand Rand) on each Retail Bond, with a maximum of R1,000,000.00 (one million Rand) for a Portfolio.

11. REPAYMENT OF CAPITAL BALANCE

11.1 The Issuer shall, on Maturity Date pay to the Registered Holder, the Capital Balance, together with Interest due from the last Interest Date to Maturity Date, unless an application for reinvestment is received by the Issuer within 30 (thirty) days of Maturity Date. Payment shall be made in accordance with the provisions of clause 14 below.

12. OPTION TO REINVEST THE CAPITAL AMOUNT

12.1 A Registered Holder shall have an option to reinvest the Capital Balance on Maturity into a new Retail Bond by giving written notice on the prescribed form to the Issuer within 30 (thirty) days of Maturity Date.

12.2 A Registered Holder shall in such written notice, stipulate the Retail Bond Series in which the Capital Balance is to be reinvested. The Settlement Date for the new Retail Bond will commence on the next Business Day after Maturity Date.

12.3 The Interest Rate for such new Retail Bond shall be the Prevailing Interest Rate on the next Business Day following the Maturity Date.

12.4 These Terms and Conditions, as amended as at the date of reinvestment, shall apply to such reinvested amount.

13. EARLY WITHDRAWAL AND CONDITIONS OF EARLY WITHDRAWAL

13.1 A Registered Holder shall be entitled to withdraw any portion or the entire Capital Amount invested prior to Maturity, subject to the following conditions:

13.1.1 the first such Early Withdrawal shall only be made after 12 (twelve) months from Settlement Date;

13.1.2 the Penalty calculated in accordance with the provisions of clause 13.2 below shall be levied on the Early Withdrawal Amount;

- 13.1.3** the Capital Balance remaining in any Retail Bond after the Early Withdrawal and Penalty payment must be at least R1,000.00 (one thousand Rand); and
- 13.1.4** an application for Early Withdrawal shall be made in the prescribed form obtained from the Issuer or from the RSA Retail Bond website.
- 13.2** In the event of an Early Withdrawal, an interest rate Penalty shall be applied to the Early Withdrawal Amount. The Penalty shall be determined in accordance with the following formula:

$$\frac{a}{1} \quad \times \quad \frac{1}{b}$$

where:

“a” is the total amount of interest received on the Early Withdrawal Amount, including interest accrued on the Early Withdrawal Amount from the last Interest Payment Date (or Settlement Date if the First Interest Payment Date has not yet occurred) until the Early Withdrawal Date; and

“b” is the total number of times that interest was received, including the interest payment on Early Withdrawal Date.

13.3 The Registered Holder shall not be entitled to repayment of the Retail Bonds before the Maturity Date, otherwise than as provided for in clause 13.1 above.

13.4 Notwithstanding anything contained in these Terms and Conditions, no Early Withdrawal in respect of any Retail Bond shall be made, except in accordance with the provisions of clause 13.1 above.

14. PAYMENT

14.1 All amounts payable by the Issuer in accordance with these Terms and Conditions shall be paid -

14.1.1 free of set-off or deduction, except in the event that the Penalty is applicable, in which case the Penalty will be deducted from payment of the Early Withdrawal Amount;

14.1.2 in the Republic of South Africa; and

14.1.3 in the currency of the Republic of South Africa.

14.2 All amounts payable on or in respect of each Retail Bond shall only be paid by electronic transfer of funds into the Designated Bank Account of the Registered Holder.

14.3 If any day for payment of the Capital Balance, any Early Withdrawal Amount or Interest in respect of any Retail Bond is not a Banking Day, the Registered Holder shall not

be entitled to payment until the next Banking Day following such day or to any interest or other sums in respect of postponed payment.

- 14.4** All payments will be subject to all fiscal or other laws and regulations applicable thereto in the place of payment.

15. LIABILITY FOR WITHHOLDING TAX

All payments in respect of the Retail Bond will be made without withholding or deduction for, or on account of Taxes imposed or levied by, or on behalf of, the Republic of South Africa, or any authority in, or of, the Republic of South Africa having power to tax, unless such withholding or deduction of taxes is required by law. In that event, the Issuer will pay such taxes on behalf of the Registered Holder as may be necessary and the net amount will be payable to the Registered Holder after the withholding or deduction of taxes.

16. STATEMENTS

- 16.1** The Issuer shall prepare and provide the Registered Holder with a Statement in respect of Retail Bonds as follows:

- 16.1.1** within 14 (fourteen) Business Days of the Settlement Date;

- 16.1.2** within 14 (fourteen) Business Days of each Interest Payment Date; and
- 16.1.3** within 14 (fourteen) Business Days of receipt of a written request for a statement by the Registered Holder to the Issuer.
- 16.2** Each Statement will set out the following particulars:
 - 16.2.1** personal particulars of the Registered Holder;
 - 16.2.2** the type of Retail Bond invested in, the Capital Amount Invested in each Retail Bond and the Capital Balance of each Retail Bond;
 - 16.2.3** the Interest Rate payable on each Retail Bond held;
 - 16.2.4** the Settlement Date in respect of each Retail Bond;
 - 16.2.5** the Maturity Date in respect of each Retail Bond; and
 - 16.2.6** particulars of the Designated Bank Account.

17. REGISTER OF REGISTERED HOLDERS

- 17.1** The Issuer shall procure that a Register is kept of Registered Holders in accordance with this clause 17.
- 17.2** The Register of Registered Holders shall:

- 17.2.1** be kept at the office of the Issuer;
- 17.2.2** contain the names, addresses and bank account number of the Registered Holders;
- 17.2.3** show the total Capital Amount of the Retail Bonds represented by it;
- 17.2.4** show dates upon which each of the Registered Holders were Registered as such;
- 17.2.5** show the Investor Numbers of the Retail Bond and the Settlement Dates thereof; and
- 17.2.6** be closed from each Books Closed Date until the next Interest Payment Date.
- 17.3** The Issuer will, upon written notice by a Registered Holder, alter the Register in respect of any change of address or Designated Bank Account particulars of the Registered Holder.
- 17.4** Except as provided for in these Terms and Conditions or as required by law, the Issuer:
 - 17.4.1** will only recognize a Registered Holder as the owner of the Retail Bond registered in that Registered Holder's name as per the Register; and

17.4.2 will not be bound to enter into the Register, the fact that a Registered Holder may be holding a Retail Bond in trust or as agent or mandatory for any third party and the Issuer shall have no responsibility whatsoever to such third party.

18. TRANSFER OF RETAIL BONDS

18.1 Retail Bonds are not tradable securities and can thus not be sold or redeemed, except through the provisions of clauses 11 and 13 above.

18.2 Rights to the Retail Bonds shall not be encumbered, nor transferred to a third party. Transfer to a third party is only permitted in the event of death of the Registered Holder and in accordance with the provisions of clause 20 below.

19. NOMINATION OF BENEFICIARY

A Registered Holder may, at the time of application, nominate any other person as a beneficiary to his or her Portfolio in the event of his or her death. A nominated beneficiary shall be a beneficiary for all the Retail Bonds held by the Investor.

20. DEATH OF A REGISTERED HOLDER

20.1 Upon the death of a Registered Holder —

20.1.1 the Retail Bond shall be repaid to the nominated

beneficiary, in the event of a beneficiary being nominated in accordance with clause 19 above and such repayment shall be treated as an Early Withdrawal in terms of clause 13 below. Should there be more than one nominated beneficiary, each beneficiary shall rank equally; or

20.1.2 in the event of no beneficiary having been nominated in accordance with clause 19 above, the Retail Bond shall, at the request of the Executor, either be —

20.1.2.1 transferred to the name of the deceased estate; or

20.1.2.2 repaid in full at the request of the Executor, such repayment to be treated as an Early Withdrawal in terms of clause 13 above, and be payable to an account determined by the Executor.

20.2 A letter of executorship issued by the Master of the High Court of the Republic of South Africa is required before the National Treasury can register the Retail Bond in the name of the deceased estate.

21. TITLE TO RETAIL BONDS

The Issuer shall be entitled to assume for all purposes that the person reflected in the Register of Retail Bonds as the holder of any Retail Bonds is the true owner of those Retail Bonds.

22. REPURCHASE OF BONDS

The Issuer or its nominee shall not have the right to repurchase any of the Retail Bonds at any time.

23. GOVERNING LAW

The Retail Bonds and all rights and obligations relating thereto are governed by the laws of the Republic of South Africa.

24. AUTHORISATION

The Minister is generally authorised to borrow on behalf of the Government and therefore to issue Retail Bonds in terms of Section 66(2)(a) of the PFMA. In terms of Section 73 of the PFMA the repayment of the capital amount and the interest thereon shall be a direct charge against the National Revenue Fund and is deemed to have been appropriated by Law.

25. DOMICILIUM OF ISSUER

The name and address of the Issuer is as follows:

The National Treasury
Asset and Liability Management Division
12th Floor,
240 Vermeulen Street,
Cnr Vermeulen & Andries Streets,
Pretoria

26. PUBLIC FINANCE MANAGEMENT ACT

In terms of section 75 of the PFMA, the Issuer shall not be responsible for the fulfillment of any obligation resulting from any lien, whether expressed, implied or construed, which is held over a Retail Bond, notwithstanding whether the Issuer was notified of such lien or not.

Signed at Pretoria on behalf of the Issuer on 11 December 2003.



Trevor Manuel, MP
Minister of Finance

