



Australian Government

Australian Office of Financial Management

INFORMATION MEMORANDUM

TREASURY INDEXED BONDS

DESCRIPTION

Treasury Indexed Bonds will be issued only as capital-indexed bonds with the capital value of the investment being adjusted by reference to the movement in the Consumer Price Index (CPI). Interest will be paid quarterly, at a fixed rate, on the adjusted capital value. At maturity, investors will receive the adjusted capital value of the security - the value as adjusted for movement in the CPI over the life of the bond.

ISSUER

The Commonwealth of Australia.

18 December 2009

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.	Registry.....	5
1.6.	Changes in Agent.....	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 Nominal 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.....	8
3.	Fees and Taxation.....	8
3.1.	Fees.....	8
3.2.	Stamp Duty.....	8
3.3.	Taxation.....	8
3.3.1.	PAYG Withholding for Australian Residents.....	9
3.3.2.	PAYG Withholding for Non-Residents.....	9
3.3.3.	Capital Gains Tax for Residents and Non-Residents.....	10
3.3.4.	Special Timing Rules for Certain Discounts on Securities.....	10
3.3.5.	Taxation of Financial Arrangements.....	10
3.3.6.	Further Information.....	11

4.	Tender Bidding Procedure	12
4.1.	Announcement of Periodic Tenders.....	12
4.2.	Eligibility to Tender	12
4.3.	Tender Basis and Bid Format	12
4.4.	Size of Bids	13
4.5.	Commission	13
4.6.	Bid Submission and Modification	13
4.7.	Tender Cancellation or Postponement	13
4.8.	Underissuance	13
4.9.	Allotment of Tender Stock.....	14
5.	Settlement, Registration and Transfer.....	15
5.1.	Settlement Price	15
5.2.	Interest on Stock	16
5.3.	Consumer Price Index.....	17
5.4.	Settlement	19
5.5.	Form of Bonds	19
5.6.	Registration of Bonds	19
5.7.	Statement of Holdings.....	20
5.8.	Notices of Transaction	20
5.9.	Register	20
5.10.	Transfer of Bonds	20
6.	Repayment at Maturity	21
7.	Other Methods of Issue	22
7.1.	Official Subscription.....	22
7.2.	Other Issuance Methods.....	22
8.	Secondary Market for Treasury Indexed Bonds	22
9.	Small Parcels Facility	22

10.	Other	22
10.1.	Fungibility.....	23
10.2.	Purchase and Cancellation	23
10.3.	Financial Services Reform Act 2001	23
10.4.	Trustees	23
10.5.	Stock Exchange Listing	23
10.6.	Use of Information Memorandum	23
10.7.	Privacy	23
10.8.	Modification of the Information Memorandum.....	23
11.	Glossary of Terms.....	25
12.	Directory	27

1. DESCRIPTION DETAILS

1.1. DESCRIPTION

Treasury Indexed Bonds will be issued only as capital-indexed bonds with the capital value of the investment being adjusted by reference to the movement in the CPI. Interest will be paid quarterly, at a fixed rate, on the adjusted capital value. At maturity, investors will receive the adjusted capital value of the security - the value as adjusted for movement in the CPI over the life of the bond.

1.2. ISSUER

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

1.3. AUTHORITY TO ISSUE

Pursuant to Part II of the *Commonwealth Inscribed Stock Act 1911* the Governor-General of the Commonwealth of Australia has authorised creation of Treasury Indexed Bonds for the raising of money by way of loan. In accordance with section 6 of the *Commonwealth Inscribed Stock Act 1911* principal money secured by any stock and interest (if any) shall be a charge on and payable out of the Consolidated Revenue Fund of the Commonwealth. Treasury Indexed Bonds are also 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 Indexed 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 Indexed Bonds will be issued with the terms and conditions set out in this Information Memorandum. Subject to these terms and conditions, Treasury Indexed Bonds may be issued from time to time by invitation to 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 7 below.

1.4. AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT

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

1.5. REGISTRY

The registry is the Commonwealth Government Inscribed Stock Registry operated by the Reserve Bank of Australia ("RBA").

1.6. CHANGES IN AGENT

The Commonwealth reserves the right to appoint another person as its Registrar 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 Indexed 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.

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 Indexed 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 *Trade Practices Act*, 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 Indexed 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 Indexed Bonds or in the capacity of a clearing house, custodian, funds manager or responsible entity of an Australian registered scheme.

An Offshore Associate of the Commonwealth means an associate (as defined in section 128F of the *Income Tax Assessment Act 1936* that is either a non-resident of Australia that does not acquire the Treasury Indexed Bonds in carrying on a business at or through a permanent establishment in Australia or, alternatively, a resident of Australia that

acquires the Treasury Indexed Bonds in carrying on a business at or through a permanent establishment outside of Australia.

2. COUPON INTEREST

2.1. COUPON INTEREST PAYABLE ON NOMINAL VALUE

Treasury Indexed Bonds will bear coupon interest on their nominal value (the CPI-adjusted capital value of the Bond) at a fixed coupon interest rate.

2.2. PAYMENT FREQUENCY, AMOUNT AND FIRST COUPON

Coupon interest is payable quarterly at a quarter of the annual amount in arrears on each coupon interest payment date up to and including the maturity date. Coupon interest will cease to accrue on Treasury Indexed Bonds from the maturity date.

The date of the first interest payment on a Treasury Indexed Bond will be specified in the official announcement of an issue. The first coupon interest payment will be for a full quarter-annual period.

2.3. COUPON INTEREST ENTITLEMENT AND EX-INTEREST PERIOD

Bondholders registered at the close of business seven (7) clear calendar days (i.e. eight (8) calendar days) prior to the coupon interest payment date, the record date, will be entitled to the next coupon interest payment. If this day is not a business day, the preceding business day is the record date.

The ex-interest period for Treasury Indexed Bonds is the period after the record date up to and including the next coupon interest payment date. Transactions settled during the ex-interest period are not entitled to the next coupon interest payment. If Treasury Indexed Bond issuance settles during an ex-interest period, holders of the issued stock will not be entitled to the next coupon interest payment.

Example 1: The 3.00% 20 September 2025 indexed bond pays a coupon on Tuesday 20 September 2011. The record date for this coupon is Monday 12 September 2011.

Example 2: The 4.00% 20 August 2015 indexed bond pays a coupon on Monday 21 February 2011. The record date for this coupon is Friday 11 February 2011 (ten days prior to the coupon date, since the date eight days prior to the coupon date falls on a weekend).

2.4. MODE OF COUPON INTEREST PAYMENT

Where Treasury Indexed Bonds are held directly in the Commonwealth Government Inscribed Stock Registry, the Registrar will make the coupon interest payment in Australian dollars by cheque or by direct credit to an Australian dollar denominated bank account with an Australian financial institution. The Registrar will accept instructions from bondholders in regards to payment of coupon interest. To ensure timely payment, investors should notify the Registrar of their instructions and of any change in address.

Where Treasury Indexed 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 succeeding 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 repayments of nominal value at maturity will be made free of any fees, charges, deductions or levy, except to the extent required by law.

3.2. STAMP DUTY

Issues and transfers of Treasury Indexed 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 including PAYG withholding tax for Australian residents and PAYG withholding tax for non-residents.

The Registrar will assume a bondholder (and any other person who beneficially derives interest under the Treasury Indexed Bonds jointly with a bondholder) is either an Australian resident for income taxation purposes or carries on business in Australia for income taxation purposes unless the bondholder advises the Registrar otherwise. However, the Registrar will be required to withhold an amount from interest payments where the bondholder has not advised the Registrar of its residency status and

- the recipient of the interest has a foreign address according to any records in its possession or records kept on its behalf about the transaction to which information relates; or
- the Registrar is authorised to pay the interest at a place outside Australia.

3.3.1. PAYG WITHHOLDING FOR AUSTRALIAN RESIDENTS

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.

Australian resident 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 tax plus the Medicare levy.

3.3.2. PAYG WITHHOLDING FOR NON-RESIDENTS

Non-residents can be individuals, companies, partnerships, trusts or superannuation funds that are not able to satisfy the residency test applicable to the entity as provided by the tax laws. Non-residents may be liable for Australian tax on all assessable income earned in Australia.

A non-resident bondholder should notify the Registrar of its residency status. The Registrar is required by law to withhold tax on coupon interest payments paid to non-residents except in certain instances where an exemption applies, for example, under a tax treaty with another country.

On 4 December 2009, legislation making Commonwealth Government Securities (which include Treasury Indexed Bonds)

eligible for exemption from non-resident interest withholding tax under section 128F of the *Income Tax Assessment Act 1936* achieved Royal Assent. This exemption applies to interest paid after 4 December 2009.

For the avoidance of doubt, in the event that any payment made by the Commonwealth in respect of Treasury Indexed 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.

3.3.3. CAPITAL GAINS TAX FOR RESIDENTS AND NON-RESIDENTS

In some cases Australian residents and non-residents may be liable for capital gains tax on any gains on the sale of Treasury Indexed Bonds. In general, capital gains are taxed at the bondholder's relevant rate of tax. Australian residents and non-residents are taxed at different rates of tax.

3.3.4. SPECIAL TIMING RULES FOR CERTAIN DISCOUNTS ON SECURITIES

If Treasury Indexed Bonds are issued or purchased at a discount to their face value the tax laws may operate to require resident holders to bring to account as income the discount over the term the Treasury Indexed Bond is held by the bondholder.

3.3.5. 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 resident holder to bring to account for income tax purposes the gain on the bond over the period that it is held. Both a resident and non-resident holder 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 that are issued at a discount to their face value. 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.

3.3.6. FURTHER INFORMATION

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

4. TENDER BIDDING PROCEDURE

The following is a summary of the key details of bidding procedures for Treasury Indexed Bonds issued via a tender. For further information on bidding procedures, bidders should consult the AOFM Tender System Conditions of Operation at www.aofm.gov.au. Note that the AOFM may issue Treasury Indexed Bonds using methods other than via a tender process.

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 Indexed Bonds for which bids will be invited;
- the amount to be offered of each series;
- the date and amount of the first coupon interest payment;
- the closing time and date for bids; and
- the settlement arrangements.

All invitations to tender and all tenders of Treasury Indexed Bonds shall be made in terms of and in pursuant to this Information Memorandum.

4.2. ELIGIBILITY TO TENDER

Bids for Treasury Indexed Bonds offered for sale by competitive tender via the AOFM Tender System operated by the AOFM for the tender of Commonwealth Inscribed Stock (the "AOFM Tender System") may only be submitted by parties that are registered with the AOFM ("Registered Bidders"). Details of the registration process are contained in the AOFM Tender System Conditions of Operation.

4.3. TENDER BASIS AND BID FORMAT

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

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

Yields must be submitted on the basis of yield to maturity (per cent per annum). The yield bid may be expressed to a maximum of three decimal places (e.g. 10%, 10.0%, 10.00% or 10.000%). Yield bids must be a whole multiple of 0.005% (e.g. 10.000%, 10.005% or 10.010%). Yields submitted that are not a whole multiple of 0.005% will not be accepted.

4.4. SIZE OF BIDS

Each bid for Treasury Indexed 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 Indexed Bonds sold by tender.

4.6. BID SUBMISSION AND MODIFICATION

Bids for Treasury Indexed Bonds may be submitted by either:

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

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

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

A bid which has been committed within the AOFM Tender System cannot be altered or revoked after the time announced for closure of the tender has elapsed according to the clock in the AOFM Tender System.

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

4.7. TENDER CANCELLATION OR POSTPONEMENT

The Commonwealth reserves the right to cancel or postpone the timing of 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

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

4.9. ALLOTMENT OF TENDER STOCK

Tenders for the issue of Treasury Indexed Bonds will be held on a single price basis (that is, all successful bidders pay the same price).

Acceptance of bids will be made in ascending order of yield bid, that is, from the lowest yield bid to the highest yield accepted. All allotments will be made at the highest yield accepted.

At the highest yield accepted, the amount of Treasury Indexed Bonds allotted to each bidder 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.

5. SETTLEMENT, REGISTRATION AND TRANSFER

5.1. SETTLEMENT PRICE

The settlement price for stock per \$100 face value, extended to the third decimal place, shall be calculated on the basis of the following formula:

$$\text{PRICE PER \$100 FACE VALUE} = v^{f/d} \left[g(x + a \frac{-}{n}) + 100v^n \right] K_t \frac{\left(1 + \frac{p}{100} \right)^{-f/d}}{100}$$

where $v = \frac{1}{1+i}$ where i = annual percentage real yield / 400.

e.g. where stock is allotted at a yield of 4.65 per cent per annum:

$$i = \frac{4.65}{400} = 0.0116$$

$x = 1$, if there is an interest payment at the next interest payment date.

$x = 0$, if there is no interest payment at the next interest payment date.

K_t = nominal value of the principal at the next interest payment date (whether or not there is an interest payment due).

$$K_t = K_{t-1} \left[1 + \frac{p}{100} \right] \text{ where}$$

K_{t-1} = nominal value of the principal at the previous interest payment date.

K_{t-1} is equal to \$100 (the face value of the stock) at the date one quarter before the date on which the stock pays its first coupon.

K_t and K_{t-1} are rounded to two decimal places.

p = half the semi-annual change in the Consumer Price Index ending in the quarter which is two quarters prior to that in which the next interest payment falls (for example, if the next interest payment is in November, p is based on the movement in the Consumer Price Index over the two quarters ended in the June quarter preceding).

$$p = \frac{100}{2} \left[\frac{CPI_t}{CPI_{t-2}} - 1 \right] \text{ rounded to two decimal places, where}$$

CPI_t is the Consumer Price Index for the second quarter of the relevant two quarter period, and

CPI_{t-2} is the Consumer Price Index for the quarter immediately prior to the relevant two quarter period.

f = the number of days from the date of settlement to the next interest payment date.

d = the number of days in the quarter ending on the next interest payment date.

g = the fixed quarterly interest rate payable (equal to the annual fixed rate divided by 4).

n = the number of full quarters between the next interest payment date and the date of maturity.

$$a_{\overline{n}|i} = v + v^2 + \dots + v^n = \frac{1-v^n}{i}$$

The settlement amount will be rounded to the nearest cent (0.50 cent being rounded up).

The formulae for near-to-maturity indexed bonds are as follows:

- between the record date for the second last coupon and the record date for the final coupon:

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

- between the record date for the final coupon and maturity of the bond:

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

INTEREST ON STOCK

Interest payments for stock shall be as calculated on the basis of the following formula:

$$g \times \frac{K_t}{100}$$

where g and K_t are as defined under 'Settlement Price'.

e.g. with the level of the Consumer Price Index at the beginning and end of the relevant two quarter period 110 and 112 respectively (average quarterly change 0.91%) and a fixed annual interest rate of 4.00%, the next interest payment would be calculated as follows:

$$1.00 \times \frac{100.91}{100} = \$1.01 \quad \text{where: } 100.91 = K_t = 100 \left[1 + \frac{0.91}{100} \right]$$

Interest payments shall be rounded to the nearest cent (0.50 cent being rounded up).

If the average percentage change in the CPI for any relevant two quarter period is negative, the nominal value of the principal will be adjusted downwards and the interest payment will be paid on this reduced amount. However, no quarterly interest payment will be based on a capital value of less than \$100. If the nominal value falls below \$100, the coupon will be paid on \$100, i.e. an amount of $g \times \frac{100}{100} = g$.

If the nominal value of the principal does fall below \$100 and coupon/s are calculated as above, succeeding interest and/or principal payments will be reduced by the difference between the interest amount which was paid (i.e. g) and the payment which would otherwise have been made except for this provision (i.e. $g \times \frac{K_t}{100}$).

Where Treasury Indexed Bonds are lodged in the Austraclear System, interest payments will be made in the manner described in the Austraclear System Regulations. In other cases, interest payments (including the first interest payment) will be made according to the instructions of the owner recorded at the close of business one week prior to the interest payment date, by credit into an account at a financial institution in Australia or by cheque. To ensure timely payment, investors should notify the Reserve Bank Registry of any change in address.

The formula for ex-interest Treasury Indexed Bonds is set out below:

$$\text{PRICE PER \$100 FACE VALUE} = v^{f/d} \left[ga_{\overline{n}|i} + 100v^n \right] K_t \frac{\left(1 + \frac{p}{100} \right)^{-f/d}}{100}$$

5.2. CONSUMER PRICE INDEX

The consumer price index to be used for the purpose of this Information Memorandum shall be the 'Weighted Average of Eight Capital Cities: All-Groups Index' as maintained and published quarterly by the Australian Bureau of Statistics.

If, for any reason, the CPI is not published for any quarter for which it is relevant for the purposes of this Information Memorandum, or if publication is delayed until after the date on which an interest payment is determined, the CPI published for the previous quarter will apply in the interim. On subsequent publication of the actual CPI figure for that quarter by the Australian Bureau of Statistics, adjustment to the nominal value and/or interest payment will be made.

If the Australian Bureau of Statistics was to cease to publish the CPI and were to publish another index which it stated to be in replacement of the CPI, then that index shall be used for the purposes of this Information Memorandum.

If the Australian Bureau of Statistics was to cease to publish the CPI without publishing a replacement index, or if any change were to be made to the coverage, periodicity, or basic calculation of the CPI which, in the opinion of the Treasurer, constituted a change in the CPI which would be materially detrimental to the interests of stockholders, the AOFM will publish a notice in the Commonwealth Gazette as soon as practicable following the announcement of the change informing stockholders and offering them the right to redeem their Treasury Indexed Bonds at market-related prices as determined by the Reserve Bank of Australia. Repayment to stockholders who exercise such a right will be on a date specified by the AOFM no later than six months from the date of publication of the last CPI figure made prior to such a change as is referred to earlier in this paragraph. In these circumstances, a notice setting out the administrative arrangements for redemption and payment will be sent to stockholders at their registered address by the Reserve Bank of Australia at the appropriate time. In the event that stockholders choose not to redeem their holdings under this provision, the quarterly adjustments to the nominal value and interest payments applying to stock not redeemed shall be calculated according to an index to be announced by the Treasurer which, for the purposes of this Information Memorandum, shall be deemed to be a replacement for the CPI.

If the reference base of the CPI is changed after Treasury Indexed Bonds are issued, the index which shall be used for the purposes of this Information Memorandum shall be the CPI numbers expressed on the new base as published by the Australian Bureau of Statistics.

If a relevant CPI number is revised after the payment of interest at a particular interest payment date, a subsequent adjustment will be made to the nominal value and/or interest payment to take account of any discrepancy.

5.3. SETTLEMENT

Unless otherwise specified in the official announcement of a tender, settlement in the Austraclear System before the End of Day, as defined in the Austraclear System Regulations, is to take place on the third Business Day following the tender.

Failure to make due payment of any amount payable in respect of any allotment pursuant to a bid will render the allotment liable to cancellation.

5.4. FORM OF BONDS

Treasury Indexed Bonds will be issued as stock only, in accordance with the *Commonwealth Inscribed Stock Act 1911* and shall be lodged in the Austraclear System in the name of the applicant in accordance with the Austraclear System Regulations.

Subsequent to the issue of Treasury Indexed Bonds, the bonds may be transferred to other persons in parcels that are a multiple of \$1,000 face value.

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

5.5. REGISTRATION OF BONDS

Treasury Indexed Bonds may be held by individual persons, or two or more persons as joint tenants with right of survivorship. Organisations or trusts which 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 Indexed 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 Indexed Bonds registered in its name and the Commonwealth and the Registrar shall not be affected by any trust or other equity affecting any Treasury Indexed 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 Indexed Bonds into the share for which each person is expressed to be entitled and register each person as the holder of the Treasury Indexed Bonds representing the person's share. If the Treasury Indexed 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.

5.6. 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 Indexed Bonds referred to therein.

5.7. NOTICES OF TRANSACTION

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

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

5.8. REGISTER

In the case of stock registered directly in the Commonwealth Government Inscribed Stock Registry, the Registrar shall enter into the Register the following particulars:

- name and address of the bondholder;
- face value of the Treasury Indexed Bonds held;
- coupon interest payment rate payable on the Treasury Indexed Bonds;
- coupon interest payment dates of the Treasury Indexed Bonds;
- maturity date of the Treasury Indexed 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.

5.9. TRANSFER OF BONDS

A bondholder may effect the transfer of Treasury Indexed Bonds through the Austraclear System in accordance with the Austraclear System Regulations or by lodgement of a completed Transfer and Acceptance Form at the Commonwealth Government Inscribed Stock Registry.

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 Indexed Bonds to which the form of transfer relates.

When the right to any Treasury Indexed 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 Indexed Bonds.

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

No transfer will be registered by the Registrar during the final ex-interest period prior to the maturity date.

6. REPAYMENT AT MATURITY

Treasury Indexed Bonds are not repayable prior to the maturity date.

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

Where the Treasury Indexed Bonds are lodged in the Austraclear System the Treasury Indexed Bonds will be repaid at nominal value (the capital value as adjusted for the movement in CPI over the life of the Bond) on maturity in the manner described in the Austraclear System Regulations.

In the case of stock registered directly in the Commonwealth Government Inscribed Stock Registry, the Registrar will effect the repayment of the nominal value of maturing Treasury Indexed Bonds by cheque or by direct credit to an Australian dollar denominated bank account with a financial institution registered in Australia. Instructions as to the repayment of the nominal value of maturing Treasury Indexed Bonds may be lodged with the Registry no later than three business days prior to the maturity date. Where no instructions have been provided in time, payments of proceeds will be effected by cheque payable to the bondholder and posted to the registered address.

In all cases, the final redemption value shall be no less than \$100 face value, irrespective of the movements in the CPI over the life of the security.

7. OTHER METHODS OF ISSUE

7.1. OFFICIAL SUBSCRIPTION

The Reserve Bank of Australia and certain other official bodies may, from time to time, apply for Treasury Indexed Bonds. Amounts to be taken up in this way at the time of a tender will be indicated in the official announcement of the 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.

7.2. OTHER ISSUANCE METHODS

The Commonwealth reserves the right to issue Treasury Indexed 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 Indexed 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.

8. SECONDARY MARKET FOR TREASURY INDEXED BONDS

After issue Treasury Indexed 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 Indexed Bonds. These details can be viewed at AFMA's website at www.afma.com.au.

9. SMALL PARCELS FACILITY

The RBA offers a facility whereby investors can buy and sell small parcels of Treasury Indexed Bonds at market-related prices.

For more information on the facility please refer to the RBA's website at www.rba.gov.au or contact the Commonwealth Inscribed Stock Registry (see section 12 for contact details).

10. OTHER

10.1. FUNGIBILITY

The Commonwealth shall be at liberty from time to time to issue Treasury Indexed Bonds fungible, respectively, with any outstanding series of Treasury Indexed 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 Indexed Bonds from any person. Any Treasury Indexed Bonds so purchased may be lent, retained, sold or cancelled at the discretion of the Commonwealth.

10.3. FINANCIAL SERVICES REFORM ACT 2001

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

10.4. TRUSTEES

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

10.5. STOCK EXCHANGE LISTING

It is intended to apply for the listing of Treasury Indexed 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 Indexed Bonds in Australia and must not be sent to any person outside Australia in any jurisdiction in circumstances in which the offer of Treasury Indexed Bonds or use of this Information Memorandum would be unlawful.

10.7. PRIVACY

The AOFM and RBA collect and hold personal information about bondholders for the purposes of administering Treasury Indexed Bonds. Bondholders may request access to any personal information held about them by contacting the Commonwealth Inscribed Stock Registry (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 without the consent of the bondholders modify any of the conditions or provisions of the Information Memorandum which (a) in its opinion is of a formal, minor or technical nature or is made to correct a manifest error or (b) which (i) is made to comply with mandatory provisions of law or (ii) any other modification provided that (in each of (i) and (ii)) such modification is not in the opinion of the Commonwealth materially prejudicial to the interests of the bondholders.

11. GLOSSARY OF TERMS

The following definitions apply to this Information Memorandum:

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”.
Australian Office of Financial Management or AOFM	The Commonwealth of Australia acting through and represented by the Australian Office of Financial Management (AOFM). The AOFM is a prescribed agency under the <i>Financial Management and Accountability Act 1997</i> .
Australian Resident	A person able to satisfy an Australian residency test as defined in Australian tax law.
Bondholder	In respect of any Treasury Indexed Bond, the person whose name from time to time is entered into the Register as the holder of that Treasury Indexed Bond.
Business Day	A day not being a Saturday or Sunday on which banks are open for general banking business in Sydney.
Commonwealth	The Commonwealth of Australia.
Coupon Interest	The amount paid or due to be paid on the coupon interest payment date.
Coupon Interest Payment Dates	The dates, as specified in the official announcement of an issue, in each year on which coupon interest is to be paid on a Treasury Indexed Bond. Includes the maturity date.
Coupon Interest Rate	The interest rate payable in respect of a Treasury Indexed Bond, expressed as a percentage per annum.
Consumer Price Index (CPI)	The Consumer Price Index, CPI, is a measure of the overall price level in the economy. The CPI is calculated quarterly using the price of a fixed basket of consumer goods.
Dollars and \$	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 Indexed Bonds settled during this period will not be entitled to that coupon interest payment.
Face Value	The principal or par value amount of a Treasury Indexed Bond, unadjusted for changes in the CPI.
Invitation to Tender	An invitation issued by the Commonwealth pursuant to this Information Memorandum specifying the details of the Treasury Indexed Bonds to be offered by way of tender.
Maturity Date	The date, as specified in the invitation to tender on which the Treasury Indexed Bonds are to be repaid.
Nominal Value	The CPI-adjusted capital value of the bond (K_t as defined under 'Settlement Price').
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 or maturity date or, if this is not a business day, the preceding business day.
Register	The Commonwealth Inscribed Stock Registry maintained by the Registrar and "registered" has a corresponding meaning.
Registrar	The Registrar of the Commonwealth Inscribed Stock Registry.
Reserve Bank of Australia or RBA	The body corporate established by the <i>Reserve Bank of Australia Act 1959</i> .
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 expressed as an annual percentage.

12. DIRECTORY

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

Head of Treasury Services
Australian Office of Financial Management
Treasury Building
Langton Crescent
PARKES ACT 2600

Tel +61-2 6263 1141
Fax +61-2 6263 1222
enquires@aofm.gov.au

For the Commonwealth Inscribed Stock Registry and RBA Small Investor Facility contact:

The Registrar
Registry of Inscribed Stock
Reserve Bank of Australia
GPO Box 1585
SYDNEY NSW 2001

Tel +61-2 9551 9938
Toll Free 1800 817 629*
Fax +61-2 9551 8007
registry@rba.gov.au

*Freecall - outside Sydney metropolitan area. Excludes calls from mobile phones which are charged at the applicable rate.

For settlements information contact:

Manager
Settlements
Payment Settlements Department
Reserve Bank of Australia
65 Martin Place
SYDNEY NSW 2000

Tel +61-2 9551 8912
Fax +61-2 9551 8027
settlementsAUD@rba.gov.au