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Valuation of Greek bonds

The finance ministry has issued a decree on the valuation of the new Greek bonds to be issued in place of those withdrawn.

On February 24, the Greek government published an „invitation memorandum“, inviting the private holders of government bonds to agree to an exchange of their securities for a new issue of lower nominal amount and on less favourable terms. There are four elements to the new issue, new Greek government bonds, PSI payment notes of the EFSF (European System of Financial Supervision managed by the ECB), GDP linked securities and a zero-bond of the EFSF in compensation for unpaid interest. The finance ministry has issued a decree on the value at which the new issue is to be taken up:

- The old bonds withdrawn are to be treated as sold at the value at which the new government bonds and the PSI payment notes are to be taken up. This is the market rate on the day of issue, or on the first day of trading if later.
- If these two securities are sold before the first day of trading, the capital gain on sale is to be taken at 30% of the proceeds.
- The GDP linked securities and the EFSF zero-bond are to be taken up at nil. They thus have no effect on the loss on withdrawal of the old bonds. However, if they are sold, the entire proceeds are taxable as investment income.

Schlagwörter

Greek bond, government bond, invitation memorandum