Eurobonds FAQs

1. What are Eurobonds?
Eurobonds are debt security issued in a currency different from the issuer's domestic currency. Kenyan Eurobonds are issued by the Government of Kenya in US Dollars.

2. Why do Governments issue Eurobonds?
Governments issue Eurobonds to:
- Raise funds for infrastructure projects.
- Finance budget deficits.
- Refinance existing debt.
- Diversify funding sources.
- Access larger pools of international capital.
- Obtain foreign currency for imports or external obligations.

3. Why invest in Eurobonds?
Investors buy Eurobonds because they offer:
- Attractive yields.
- Portfolio diversification.
- Exposure to emerging markets.
- Regular interest payments.
- Potential capital gains if bond prices rise.

4. Who is eligible to invest in Eurobonds?
Institutional investors, companies, individual investors, and eligible foreign investors can invest, subject to the terms of the bond issue and applicable regulations.

5. What is the minimum investment amount for Eurobonds.
The minimum investment depends on the specific Eurobond issue and the market through which it is purchased. The minimum investment amount for a Kenya Eurobond in USD 200,000, however fractional lots can be accessed through I&M Capital Limited

6. Are Kenya Eurobonds guaranteed?
Kenya Eurobonds are sovereign debt obligations of the Government of Kenya. While backed by the government's commitment to repay, they are not risk-free.

7. What is a Fractional Eurobond?
A fractional Eurobond allows investors to access Eurobond investments with smaller investment amounts than the standard market ticket size of USD200,000. Fractional lots can be accessed from USD 199,000 to a minimum investment amount of USD 5,000.

8. Can I sell my Eurobond holding before maturity?
Yes, Eurobond can be traded before maturity and subject to market liquidity and prevailing market prices. Minimum trading amounts are USD 200,000. Fractional

Eurobonds are typically held to maturity and may only be traded on a best-effort basis, subject to market liquidity.

9. Can I reinvest coupon payments?
Yes, coupons can be invested as fractional lots subject to available Eurobond options and minimum investment amount.

10. Can I invest in other Eurobonds apart from the Kenyan Eurobond.
Yes, you can invest in Eurobonds issued by other countries, subject to a typical minimum investment of USD 200,000, as these are generally traded in full lots and not available in fractional form.

11. Are there fees applicable for trading in Eurobonds?
Yes. Advisory commissions apply on purchase/sale of Eurobonds, in addition a coupon collection fee of USD 20 per coupon is applicable for fractional lots.

12. How do Eurobonds generate returns?
Through periodic coupon payments and potential capital gains if sold at a higher market price.

13. How often is interest (Coupon) paid?
Eurobonds pay interest semi-annually.

14. Is the coupon rate fixed?
Eurobonds have fixed coupon rates, although terms may vary by issue.

15. How do I receive my coupon payments received?
Coupons are paid into the investor's designated USD account at I&M Bank.

16. What is face value on Eurobonds?
The face value (also called par value or nominal value) of a Eurobond is the amount the issuer promises to repay the bondholder when the bond matures.

17. What is a premium bond?
A premium bond is a bond that is sold at a price higher than its face (par) value.

18. What is a discount bond?
A discount bond is a bond that is sold at a price lower than its face (par) value.

19. What is accrued interest?
The interest that has accumulated on a bond since the last interest payment date but has not yet been paid.

20. What is yield?
Yield on a Eurobond is the return an investor earns from holding the Eurobond, expressed as a percentage of its market price. Yield takes into account the bond's interest payments (coupon) and, depending on the measure used, any gain or loss if the bond is held until maturity.

21. What is Yield to Maturity?
Yield to Maturity (YTM) on a Eurobond is the total annual rate of return an investor is expected to earn if the Eurobond is held until its maturity date, assuming all interest (coupon) payments are made as scheduled and are reinvested at the same rate.

22. What are the risks for investors in Eurobonds?
- Credit risk - Issuer may default.
- Liquidity risk - Difficult to sell quickly.
- Currency risk - Exchange rates may move adversely.
- Political risk - Policy changes can affect repayment.

Market risk - Bond prices fluctuate.

23. Do Eurobond prices change daily?
Yes. Eurobond prices change daily in the financial markets. Their prices fluctuate due to factors such as:
- Changes in market interest rates (the most important factor)
- Creditworthiness of the issuer
- Supply and demand
- Economic and political conditions
- Changes in exchange rates (for bonds issued in foreign currencies)

24. Are Eurobonds credit rated?
Yes, Eurobonds are credit rated; the rating may change from time to time depending on the circumstances of the issuer. A credit rating evaluates the likelihood that an issuer will repay debt. Major rating agencies include; Moody's, S&P Global Ratings, Fitch Ratings

25. What are the typical ratings for Eurobonds?
Typical ratings include but are not limited to;
- AAA – Highest Quality
- AA – Very strong
- A – Strong
- BBB – Investment grade
- BB and below – Speculative

26. Can I lose money investing in a Eurobond?
Yes. An investor can lose money in a Eurobond due to changes in interest rates, issuer default, exchange rate fluctuations, inflation, or by selling the bond before maturity at a price below the purchase price.

27. What happens at maturity?
The issuer repays the principal amount subject to its ability to meet obligations.

28. Can Eurobonds be inherited?
Yes, subject to succession and estate administration processes.

29. Can I borrow against my Eurobond investment?

Yes, I&M Bank Kenya offers lending against Eurobonds subject to prevailing terms and conditions.

30. What tax considerations apply?
Tax treatment depends on prevailing laws and regulations. Clients are advised to seek independent tax advisory.

31. How long should I hold a Eurobond?
The holding period depends on investment objectives and liquidity needs.

32. How do I get started?
Contact any of our investment advisors to assist you with the on-boarding process by emailing; wealth.advisors@imbank.co.ke or through telephone 0709088175.