

FAQs on Government Securities Market

What is a Government Security?

A Government Security is a tradable instrument issued by sovereign Government. It acknowledges the Government's debt obligation. Such securities are short term (usually called treasury bills, with original maturities of less than one year) or long term (usually called Government bonds or dated securities with original maturity of one year or more).

What are the major Government Securities (G-Sec) in Bangladesh?

Major G-Secs in Bangladesh are: a. Treasury Bills (T-Bills) b. Bangladesh Government Treasury Bond (BGTB)

Who issued T-Bills and BGTBs?

As per agreement between The Government of Bangladesh and Bangladesh Bank in 1985 (Treasury rules-1998 (Appendix-1, Section-3) and Bangladesh Bank (BB) Order-1972, article 20 empowers BB to issue new loans and manage public debt for the Government.

What are the main features of Treasury Bills?

1. Three tenors are available namely 91 day, 182 day and 364 day.
2. Price is determined by the market
3. They are issued at a discount and redeemed at the face value at maturity.
4. Tradable in the secondary market.
5. Issued in scripless form.
6. The central Bank releases monthly calendar through BB website.

What are the main features of Treasury Bonds?

1. Risk free fixed coupon bearing debt instrument
2. Maturities are available within 2-20 years.
3. It carries half yearly coupon payment and the principal is repaid on maturity.
4. Yield is determined by the market.
5. Tradable instrument in the secondary market.
6. Issued in scripless form.

How T-Bills and BGTBs issued?

1. Weekly (usually on Sunday) auctions of Treasury Bills are held following a pre-announced auction calendar with a specified amount. Bidders quote their prices. The Auction Committee determines the cut-off price from the offered prices.
2. Weekly (usually on Tuesday) auction of BGTB of a particular tenor is held following a pre-announced auction calendar with the specific amount. In case of new issue bidders quote their expected yields and in re-issue auction they have to quote price.

How can investors find the latest yields of Treasury Bills and Bonds?

Latest Yields are available in website- <https://www.bb.org.bd/en/index.php/monetaryactivity/treasury>

What Benefits Can you derive by Investing Treasury Bonds?

1. It is an absolutely risk free investment, since it is issued by the sovereign government.
2. One can get the attractive rate of interest since the yield is determined in the market.
3. Since these bonds are tradable in the secondary market, one can obtain instant liquidity by selling them in the market.
4. All receipts of interest and maturity are fully repatriable in case of foreign investment.
5. One can get the best services from Central Bank of Bangladesh which maintain fully automated scripless depository system named Market Infrastructure (MI) Module.

Who can place bid in the auction?

Primary Dealers (PDs) can place bids in auction. Other commercial banks and Non-Bank Financial institutions, Insurance companies, corporate, individuals, provident fund etc. can also participate in auction through PDs.

What is the minimum bid amount in an auction?

Minimum bid amount is Taka one lac and its multiples.

Who can invest in G-sec.?

Individuals and Institutions residents in Bangladesh such as:

1. Banks, non-bank financial institutions
2. Insurance companies
3. Corporate bodies
4. Authorities responsible for the management of provident funds, pension funds etc.

Can any individual investor buy G-Secs?

Yes, any individual can buy Government security through Primary Dealers/Scheduled Banks in auction. Individuals can also buy G-Sec from any PDs/Banks/NBFIs in the secondary market.

How can any individual buy G-Secs?

Scheduled Banks and financial institutions maintaining accounts with Motijheel Office of Bangladesh Bank will take initiative to open Business Partner Identification (BP ID) in favour of their individual/institutional customers in Market Infrastructure (MI) Module of Bangladesh Bank to participate in the auctions. Individuals may also buy or sell government securities in secondary market over the counter (OTC)/Trader Work Station (TWS) of MI module.

Can foreigners/Non-resident buy G-Secs?

Yes, Foreigners/Non-resident individual/institutions can buy Bangladesh Government Treasury Bond (BGTB) from Primary and Secondary market through Primary Dealers and other Banks. The purchase value of bonds shall be paid from the investors fund in Non-resident Foreign Currency Account and in Non-resident Investors Taka Account (NITA) maintained with a bank in Bangladesh. Coupon payments and resale/redemption proceeds are freely transferrable abroad in foreign currency after deduction of applicable taxes. Bonds purchased by a non-resident may freely be resold anytime (no lock in period) to any resident or non-resident.

What type of Bonds Foreign investor can purchase?

Eligible foreign investors are permitted to purchase, sell or transfer Treasury Bonds with any maturity period.

Is premature encashment available for G-Secs ?

No, premature encashment is not available. However, holder can sell G-Secs in the OTC and secondary market.

What is the measure of settlement Risk ?

The settlement system for trading in Government securities, which is based on Delivery versus Payment (DvP), is a very simple, safe and efficient system of settlement. The DvP mechanism ensures transfer of securities by the seller of securities simultaneously with transfer of funds from the buyer of the securities, thereby mitigating the settlement risk.

Is it possible to borrow against Govt securities?

Banks and financial institutions can use government securities as collateral only to borrow funds in the repo market.

What is a Primary Dealer (PD)?

Primary Dealers are financial institutions that act as underwriters of government securities in primary auction. Auction Committee can devolve securities on Primary Dealers (PDs) in case they find the offered bids unacceptable. PDs receive periodic underwriting commission on successful bids and devolved amount.