

Required Information of Investment of Government Securities

What is a Government Security?

A Government Security is a tradable financial investment instrument issued by federal Government. Government securities are considered safest forms investment because they are backed by the full faith credit of the Government. It acknowledges the Government's debt obligation. There are multiple types of government- securities including treasury bills, treasury notes, treasury bonds, floating-rate notes, TIPS, savings bonds, EE/E bonds, and municipal bonds. 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?

Government Security Market of Bangladesh consists of Treasury Bill, Bangladesh Government Treasury Bond (BGTB) and Bangladesh Government Investment Sukuk (BGIS).

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.

Who can invest in G-sec.?

Individuals and Institutions in Bangladesh including Banks, non-bank financial institutions, Insurance companies, corporate bodies, 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 (PD)/Scheduled Banks in auction in the primary market. Now Individuals can invest in Government Securities through Bank Asia Securities Ltd. (BASL) their BO accounts. G-Sec trading on Exchanges has started in October, 2022. CDBL has been entrusted with settlement of G-SEC traded on DSE and CSE. Individuals can also buy G-Sec from any PDs/Banks/NBFIs in the secondary market.

What are the main features of Treasury Bonds?

Main features:

- Risk free fixed coupon bearing debt instrument
- Maturities are available for 2, 5, 10, 15 & 20 years.
- Coupon is paid half yearly and the principal is repaid on maturity.
- Coupon Rate is determined by auction.
- Tradable in the secondary market.
- Bid can be submitted for TK. 1,00,000/- or any amount of its multiple on auction.
- Tax Rebate Facilities are available for Individual Investors for investing in Treasury Bond According to Finance Act-2020, (Under Section 51 of Income Tax Ordinance, 1984).

Eligibility: Resident individuals and Institutions of Bangladesh such as-

- Banks, non-bank financial institutions.
- Insurance companies.
- Corporate bodies.
- Provident funds, pension funds etc.
- Individuals.

Method of Investment:

Primary Market: From weekly (usually on Tuesday) auctions through Bank Asia Securities and Primary Dealers.

Secondary Market: From any Stock Exchanges, bank or financial institution at any time.

What are the main features of Treasury Bills?**Main features:**

- Secured by Government.
- Short term government securities (Up to One year: 91days, 182 days and 364 days)
- Issued at a discount and redeemed at the face value at maturity.
- Interest rate is determined by auction.
- Tradable in the secondary market.
- Bid can be submitted for TK. 1,00,000/- or any amount of its multiple on auction.
- The central Bank releases monthly calendar through BB website.

Eligibility: Resident individuals and institutions of Bangladesh such as

- Banks, non-bank financial institutions, Insurance companies, Corporate bodies, Individuals, provident funds, pension funds etc.

Method of Investment:

Primary Market: From weekly (usually on Sunday) auctions through Bank Asia Securities and Primary Dealers (Nominated Banks/FI).

Secondary Market: From any Stock Exchanges, bank or financial institution at any time.

What are the main features of Government Investment Sukuk?**Main features:**

- Shariah based government security.
- Tenor and mode of investment of Sukuk contract determined on the basis of the project.
- Profit can be earned after every six months and the principal can be obtained after the end of tenor.
- Bid can be submitted for TK. 10,000/- or any amount of its multiple on auction.

Eligibility & Method of Investment: BGIS were first issued 29th December, 2020 to utilize the funds of shari'ah based banks, FI's, Insurances and individual investors. Investors can invest amounts in multiples of Tk.10,000/00. Tenor of Sukuk may vary based on the underlying investment contract. Profit and principal amount can be repatriated freely. It can be traded in the secondary market.

What are the Benefits you can get by Investing in Treasury Bonds?

- It is an absolutely risk-free investment, since it is issued by the sovereign government.
- One can get the attractive rate of interest since the yield is determined in the market.
- Since these bonds are tradable in the secondary market, one can obtain instant liquidity by selling them in the market.
- All receipts of interest and maturity are fully repatriable in case of foreign investment.

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 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.

What is Primary Market?

In Primary market securities (T-bills, bonds and BGIS) are issued first time for the investors. T-bills and bonds are issued on the basis of competitive auction. Normally auction held twice in a week, on the basis of monthly auction calendar. T-bills' auction held on Sunday and Bonds' auction held on Tuesday. Only Primary Dealers (PD) can submit bids in the auctions. Other institutions and individuals can submit bids in auction through the PDs/Brokerage Houses.

What are the Procedures to participate in primary auction of G-secs?

Investors primarily select the desired Government Securities from the action schedule of Bangladesh Bank. The auction schedule is available on website of Bangladesh bank and DSE will also provide the web link of auction in its website. The interested investors will make deposit fund to G-Sec Bank Account provided by Bank Asia Securities and provide the deposit slip with the details of selected securities. After the completion of the auction, the securities will be allocated in within three working days.

What are the Procedures to participate in secondary market of G-secs?

The information of existing G-secs is available on the website of Bangladesh Bank and Dhaka Stock Exchange. Investors can select the Government securities according to their features (Yield, Market Price, Coupon rate). The interested investors can buy or sell G-secs through their designated brokers,