

## Frequently Asked Questions (FAQs)

### What is a Government Security?

A Government Security is a tradable instrument issued by a sovereign government to acknowledge its debt obligation. These securities can be short-term (commonly known as Treasury Bills or T-Bills, with original maturities of less than one year) or long-term (referred to as Government Bonds or dated securities, with original maturities of one year or more).

### Who issues T-Bills and BGTBs?

According to an agreement between the Government of Bangladesh and Bangladesh Bank in 1985 (Treasury Rules-1998, Appendix-1, Section-3), and under the Bangladesh Bank Order-1972 (Article 20), Bangladesh Bank (BB) is authorized to issue new loans and manage public debt on behalf of the Government.

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

The major Government Securities in Bangladesh are:

- a. **Treasury Bills (T-Bills)**
- b. **Bangladesh Government Treasury Bonds (BGTBs)**

**Bangladesh Government Treasury Bills** are short-term instruments with maturities up to one year, available in the following tenors from primary auctions:

- A. 91 days Treasury Bill (Auction held every Sunday of the month)
- B. 182 days Treasury Bill (Auction held every Sunday of the month)
- C. 364 days Treasury Bill (Auction held every Sunday of the month)

**Bangladesh Government Treasury Bonds** are long-term instruments with maturities ranging from 2 to 20 years, available in the following tenors from primary auctions:

- A. 2 Years Treasury Bond (Auction held on the 1st Tuesday of every month)
- B. 5 Years Treasury Bond (Auction held on the 2nd Tuesday of every month)
- C. 10 Years Treasury Bond (Auction held on the 3rd Tuesday of every month)
- D. 15 Years Treasury Bond (Auction held on the 4th Tuesday of every month)
- E. 20 Years Treasury Bond (Auction held on the 4th Tuesday of every month)

### What is the minimum investment amount in an auction?

The minimum bid amount is BDT 1,00,000 (1 lac) and its multiples.

### What are the methods of auction?

There are two methods of auction:

1. Uniform price auction
2. Multiple price auction

### Who can place bids in the auction?

Primary Dealers (PDs) can place bids in the auction. Other commercial banks, non-bank financial institutions, insurance companies, corporates, individuals, provident funds, etc., can also participate in auctions through PDs.

## **Who can invest in G-Secs?**

- Individuals and institutions residing in Bangladesh, including banks, non-bank financial institutions, and insurance companies.
- Corporate bodies
- Authorities responsible for the management of provident funds, pension funds, etc.

## **Can individual investors buy G-Secs?**

Yes, individual investors can buy Government Securities through Brokerage Firm and Primary Dealers/Scheduled Banks in auctions. Individuals can also buy G-Secs from any Brokerage Firm and PDs/Banks/NBFIs in the secondary market.

## **How can individuals buy G-Secs?**

Brokerage Firm, Scheduled Banks and financial institutions maintaining accounts with the Motijheel Office of Bangladesh Bank can open Business Partner Identification (BP ID) for their individual/institutional customers in the Market Infrastructure (MI) Module of Bangladesh Bank to participate in auctions. Individuals can also buy or sell government securities in the secondary market over Order Management System (OMS) of Brokerage Firm, the counter (OTC) or through the Trader Work Station (TWS) of the MI module.

## **Can foreigners/non-residents buy G-Secs?**

Yes, foreigners and non-resident individuals/institutions can buy Bangladesh Government Treasury Bonds (BGTBs) from both the primary and secondary markets through Brokerage Firm, Primary Dealers and other Banks. The purchase value must be paid from the investor's funds in a Non-resident Foreign Currency Account or Non-resident Investor Taka Account (NITA) maintained with a bank in Bangladesh. Coupon payments and resale/redemption proceeds are freely transferable abroad in foreign currency after the deduction of applicable taxes. Bonds purchased by a non-resident may be resold anytime (no lock-in period) to any resident or non-resident.

## **Is premature encashment available for G-Secs?**

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

## **What is the measure of settlement risk?**

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

## **Is it possible to borrow against Government Securities?**

Only Banks and financial institutions can use Government Securities as collateral to borrow funds in the repo market. But it's difficult for a brokerage firm to accept as collateral.