

Treasury Bond – Invest to Secure the Future



Primary Dealer Banks can Buy and Sell Treasury Bond (G-SEC) Instruments in Bangladesh Bank Market Infrastructure



All kinds of Investors can participate in Treasury Bond (G-SEC) Auction through Beneficiary Participant's Accounts



The net borrowing from Treasury Bonds (T-Bonds) in Bangladesh in the first half of the fiscal year (FY) 2023-24 was BDT 12,623 crore. The government prefers long-term instruments like T-bonds, and 72% of the banking sector's financing comes from T-bonds and SPTB.



- PBSL helps all investors for Buying and Selling and Primary Auction Participation for the T-Bond (G-SEC)
- PBSL maintains separate an BGTB Bank Account for Clients, which are linked with Primary Dealer Bank
- PBSL credited T-Bond Units in the client's BO Account from CDBL (Which is Tradable)



The yield on Treasury Bonds climbs to a record **12%+** as govt borrowing intensifies



T-Bond Trading Trusted
Brokerage House



T-Bond Issuer
"Bangladesh Bank"



G-SEC Trading
Platform Provider



Treasury Bond (G-SEC) Invest To Secure the Future

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Government Security Market

The Government Securities Market in Bangladesh comprises Treasury Bills, Bangladesh Government Treasury Bonds (BGTB), and Bangladesh Government Investment Sukuk (BGIS). These securities are available for investment by banks, non-bank financial institutions, insurance companies, and individual investors. Non-resident individuals and institutions can also invest in BGTBs and BGISs through the primary and secondary markets.

Investments can be facilitated through Primary Dealers, other banks in Bangladesh, and stock brokerage houses. For Bangladeshi residents, funds must be in BDT (Bangladeshi Taka). Non-resident Bangladeshis can invest using funds deposited in a Non-Resident Foreign Currency Account (NFCA) or a Non-Resident Investors Taka Account (NITA), maintained with a Bangladeshi bank under the investor's name. Both coupon payments and principal amounts are fully repatriable.

FOR BANGLADESHI RESIDENTS, FUNDS MUST BE IN BDT. NRBs CAN INVEST USING (NFCA) OR (NITA)

Market Overview

a. Interest Rate Environment

Recent trends in monetary policy have affected government security yields. Central banks adjust rates in response to inflationary pressures, impacting bond prices and yields across different maturities.

b. Inflation Trends

Inflation is a significant factor influencing bond yields. Higher inflation generally results in lower real returns, pushing yields upward to attract investors. Conversely, low inflation rates typically make government securities more attractive by offering higher real yields.

c. Economic Indicators

- **GDP Growth Rate:** Affects government borrowing requirements and investor sentiment.
- **Fiscal Policy:** Increased government borrowing to finance development projects often raises supply, potentially affecting yields.
- **Global Trends:** Global bond yields, especially from larger economies, can influence demand and yields for domestic government securities.

d. Risk Assessment

- **Interest Rate Risk**
Government bonds are sensitive to interest rate changes. Long-duration bonds are more exposed, while T-Bills carry minimal interest rate risk.
- **Liquidity Risk**
While G-Secs are tradable, liquidity varies across the instruments. T-Bills are generally more liquid due to high demand.

- **Reinvestment Risk**
Investors face reinvestment risk if the returns on maturing short-term instruments are reinvested at lower interest rates.
- **Credit Risk**
It is almost negligible, as these instruments are government-backed.

e. Key Takeaways and Market Opportunities

- **Upcoming Issuances**
Upcoming auctions for T-Bills and government bonds provide a timely investment opportunity.
- **Yield Trends**
Medium- and long-term bonds currently offer attractive yields, ideal for income-focused investors.
- **Inflation Hedge with Gold Bonds**
Sovereign Gold Bonds provide a dual advantage of gold exposure and fixed interest, beneficial in inflationary conditions.

f. Investment Recommendations

Padma Bank Securities Limited (PBSL) recommends the following strategies based on client objectives:

- **Conservative Strategy**
Higher allocation in short-term T-Bills to preserve capital and provide liquidity.
- **Moderate Strategy**
A mix of medium-term government bonds for stable income along with some allocation in T-Bills.
- **Aggressive Strategy**
Longer-term fixed-rate bonds to lock in yields, with a portion allocated to Sovereign Gold Bonds for diversification.

Benefits of Investing in Government Securities

- **Low Risk:** Backed by the full faith and credit of the government.
- **Stable Returns:** Fixed interest payments provide predictable income.
- **Portfolio Diversification:** Ideal for balancing high-risk assets in a portfolio.
- **Liquidity:** Tradable in the secondary market (subject to market conditions).
- **Tax Advantages:** Some G-Secs provide tax benefits, especially for certain bond tenures.

Bangladesh Government Treasury Bill

Main features

- i. Short-term government securities (Up to One year)
- ii. Three tenors are available namely **91days, 182 days and 364 days**.
- iii. Interest rate is determined by auction.
- iv. Tradable in the secondary market (BB OMS).
- v. Bid can be submitted for TK. 1,00,000/- or any amount of its multiple on auction.

Eligibility

Resident individuals and institutions of Bangladesh such as

- i. Banks, non-bank financial institutions.
- ii. Insurance companies.
- iii. Corporate bodies.
- iv. Authorities responsible for the management of provident funds, pension funds etc.
- v. Individuals.

Method of Investment

- i. Primary Market: From weekly (usually on Sunday) auctions through Primary Dealers (Nominated Banks/FI),
- ii. Secondary Market: From any bank or financial institution (Brokerage Houses) at any time.

Bangladesh Government Treasury Bonds (BGTB)

Main features

- i. Long-term government securities (More than One year).
- ii. Maturities are available for **2, 5, 10, 15 & 20 years**.
- iii. Coupon is paid half yearly and the principal is repaid on maturity.
- iv. Coupon Rate is determined by auction.
- v. Tradable in the secondary market (Brokerage Houses G-SEC Platform).
- vi. Bid can be submitted for TK. 1,00,000/- or any amount of its multiple on auction.
- vii. 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

- i. Primary Market: From weekly (usually on Tuesday) auctions through Primary Dealers or Brokerage Houses
- ii. Secondary Market: From any bank or financial institution at any time.

Secondary Market

Bangladesh Bank initiated to automate the process of trading and settlement of Government securities transactions in October 2011. The secondary market of Government securities of Bangladesh is comprised of Over the Counter (OTC) and Trader Work Station (TWS).

Both the procedures are the integral parts of Market Infrastructure Module (MI Module)-the automated auction and trading platform of government securities. Besides these systems, government securities are also traded in **Dhaka Stock Exchange (DSE) and Chattogram Stock Exchange (CSE).**

Table 1: Bangladesh Government Treasury Bill Main features

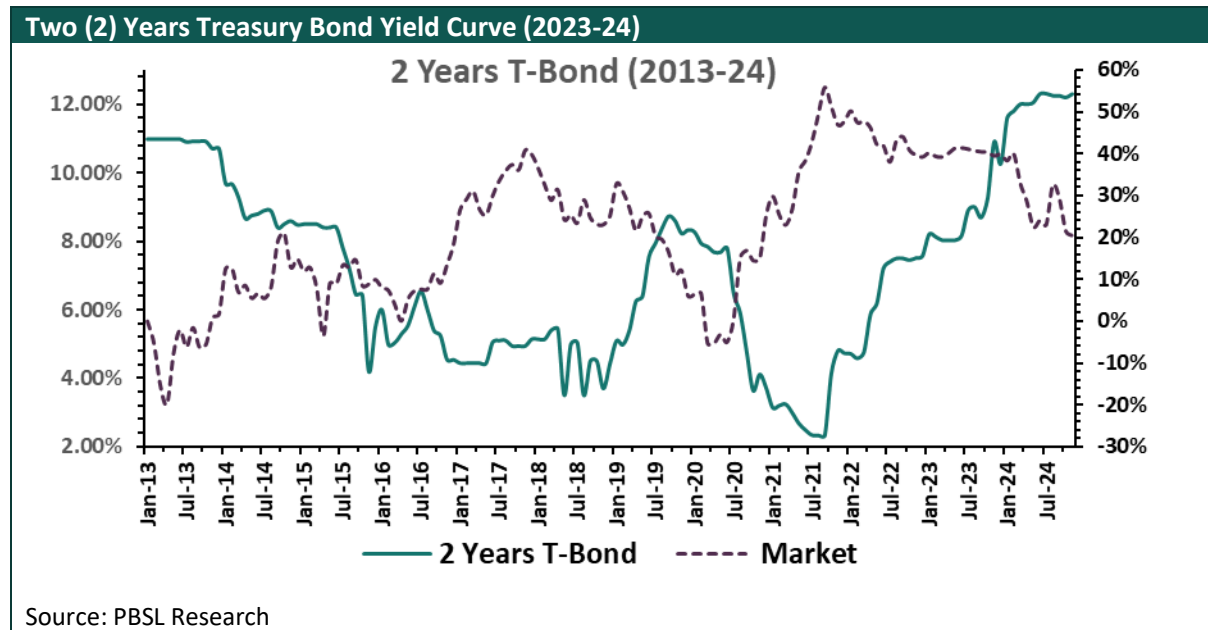
Sl.	Parameter	Details
01	Eligibility	<p>Resident individuals and institutions of Bangladesh such as:</p> <ul style="list-style-type: none"> • Banks, Non-Bank Financial Institutions. • Insurance Companies. • Corporate Bodies. • Authorities responsible for the management of provident funds, pension funds etc. • Individuals
02	Tenure	<ul style="list-style-type: none"> • Short Term Government Securities (Up to One year) • Three tenors are available namely 91days, 182 days and 364 days.
03	Interest Rate	<ul style="list-style-type: none"> • Interest rate is determined by auction.
04	Limit	<ul style="list-style-type: none"> • Bid can be submitted for TK. 1,00,000/- or any amount of its multiple on auction.
05	Method of Investment	<ul style="list-style-type: none"> • Primary Market: From weekly (usually on Sunday) auctions through Primary Dealers (Nominated Banks/FI). • Secondary Market: From any bank or financial institution at any time.
06	Issuing Authority of T-Bills	<ul style="list-style-type: none"> • 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.

Table 2: Bangladesh Government Treasury Bonds (BGTB) Main features

Sl.	Parameter	Details
01	Eligibility	<p>Resident individuals and institutions of Bangladesh such as:</p> <ul style="list-style-type: none"> • Banks, Non-Bank Financial Institutions. • Insurance Companies. • Corporate Bodies. • Authorities responsible for the management of provident funds, pension funds etc. • Individuals
02	Tenure	<ul style="list-style-type: none"> • Long-Term Government Securities (More than One year). • Maturities are available for 2, 5, 10, 15 & 20 years.
03	Interest Rate	<ul style="list-style-type: none"> • Interest rate is determined by auction.
04	Limit	<ul style="list-style-type: none"> • Bid can be submitted for TK. 1,00,000/- or any amount of its multiple on auction.
05	Repayment of Coupon	<ul style="list-style-type: none"> • Coupon is paid half yearly and the principal is repaid on maturity
06	Tax Deduction	<ul style="list-style-type: none"> • 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) <i>["Interest on securities", shall collect income-tax at the rate of five percent (5%) on discount, interest or profit on securities at the time of making payment or credit, whichever is earlier]</i>
	Benefits of Investing Treasury Bonds	<ul style="list-style-type: none"> • It is an absolutely risk-free investment, since it is issued by the sovereign government. • One can get an 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. • One can get the best services from Central Bank of Bangladesh which maintain fully automated scripless depository system named Market Infrastructure (MI) Module.
05	Method of Investment	<ul style="list-style-type: none"> • Primary Market: From weekly (usually on Sunday) auctions through Primary Dealers (Nominated Banks/FI). • Secondary Market: From any bank or financial institution at any time. • Use any brokerage houses for buying and selling Bond
06	Issuing Authority of T-Bills	<ul style="list-style-type: none"> • 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.

T-Bond Historical Yield Curve

Figure 1: Two (2) Years Treasury Bond Yield Curve (2023-24)



ANALYSIS OF THE 2-YEARS TREASURY BOND

- **NEGATIVE CORRELATION WITH MARKET TRENDS**

THE 2-YEAR TREASURY BOND EXHIBITS A DISTINCTLY NEGATIVE CORRELATION WITH THE BROADER MARKET, MEASURED AT -34.11%. THIS INVERSE RELATIONSHIP HIGHLIGHTS ITS POTENTIAL AS A HEDGING INSTRUMENT DURING PERIODS OF MARKET VOLATILITY.

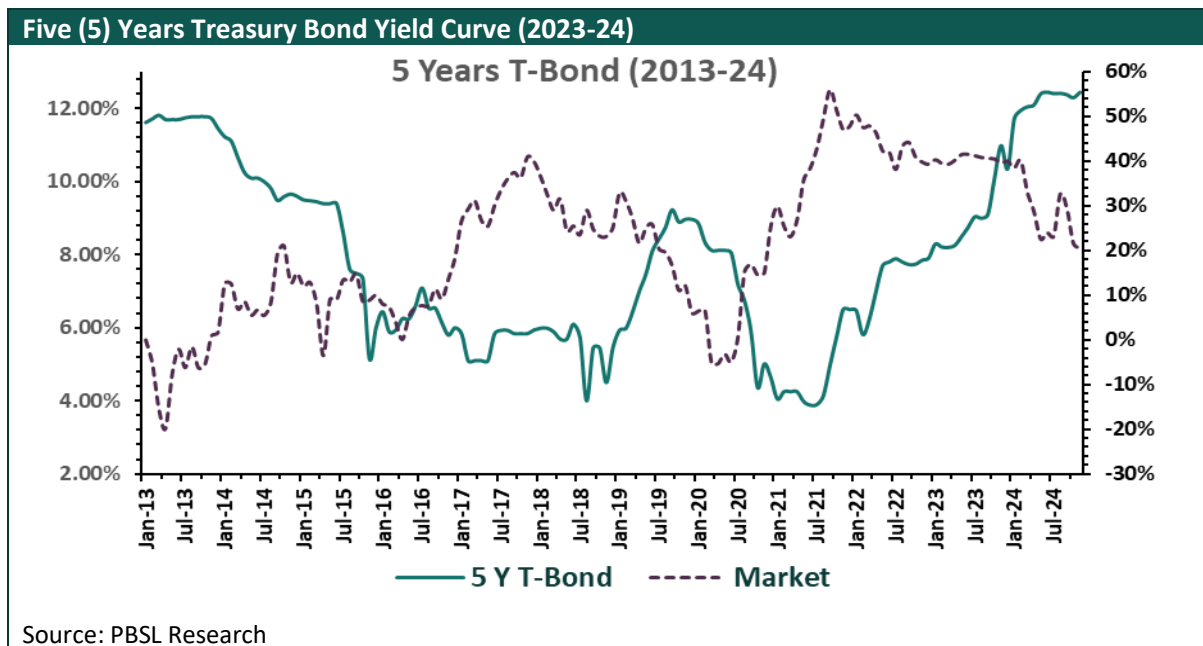
- **HISTORICAL YIELD PERFORMANCE**

IN JULY 2024, THE 2-YEAR TREASURY BOND ACHIEVED A HISTORICALLY HIGH YIELD OF 12.31%, MARKING ITS HIGHEST RETURN SINCE 2013. CONVERSELY, THE BOND RECORDED ITS LOWEST YIELD OF 2.33% IN AUGUST 2021, REFLECTING SIGNIFICANT FLUCTUATIONS IN ITS PERFORMANCE OVER RECENT YEARS.

- **INVESTMENT OUTLOOK**

GIVEN THE CURRENT YIELD LEVELS AND THE BOND'S HISTORICAL TRENDS, THIS PERIOD PRESENTS A STRATEGIC OPPORTUNITY TO SECURE LONG-TERM INVESTMENTS. THE ELEVATED YIELDS AND NEGATIVE MARKET CORRELATION POSITION THE 2-YEAR TREASURY BOND AS AN ATTRACTIVE OPTION FOR INVESTORS SEEKING STABILITY AND DIVERSIFICATION.

Figure 2: Five (5) Years Treasury Bond Yield Curve (2023-24)



ANALYSIS OF THE 5-YEARS TREASURY BOND

- NEGATIVE CORRELATION WITH MARKET TRENDS**

THE 5-YEAR TREASURY BOND EXHIBITS A DISTINCTLY NEGATIVE CORRELATION WITH THE BROADER MARKET, MEASURED AT **-36.06%**. THIS INVERSE RELATIONSHIP HIGHLIGHTS ITS POTENTIAL AS A HEDGING INSTRUMENT DURING PERIODS OF MARKET VOLATILITY.

- HISTORICAL YIELD PERFORMANCE**

IN JUNE 2024, THE 5-YEAR TREASURY BOND ACHIEVED A HISTORICALLY HIGH YIELD OF 12.45%, MARKING ITS HIGHEST RETURN SINCE 2013. CONVERSELY, THE BOND RECORDED ITS LOWEST YIELD OF 3.88% IN JUNE 2021, REFLECTING SIGNIFICANT FLUCTUATIONS IN ITS PERFORMANCE OVER RECENT YEARS.

- INVESTMENT OUTLOOK**

GIVEN THE CURRENT YIELD LEVELS AND THE BOND'S HISTORICAL TRENDS, THIS PERIOD PRESENTS A STRATEGIC OPPORTUNITY TO SECURE LONG-TERM INVESTMENTS. THE ELEVATED YIELDS AND NEGATIVE MARKET CORRELATION POSITION THE 5-YEAR TREASURY BOND AS AN ATTRACTIVE OPTION FOR INVESTORS SEEKING STABILITY AND DIVERSIFICATION.



SAFE SAVINGS, HIGH RETURNS

Government Securities (GSEC) Treasury Bond

Looking for a secure and high-yield savings opportunity? Open your BO A/C online with PBSL invest in Government Securities (GSEC) Treasury Bond!

Why T Bond?

- Highest security
- High yields (12.27%, 2 years as of 5 Nov 24)
- Stability & peace of mind

Why PBSL?

- Fast & Effortless A/C opening
- Online payment via CityLIVE
- Comprehensive guide from experts

OPERATIONAL HOUR

SUN - THU : 9:00am - 5:00pm

CONTACT US NOW!



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Website
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Issuer



Platform



Secondary Market of Government Securities

Bangladesh Bank initiated automating the trading and settlement of Government securities transactions in October 2011. Bangladesh's secondary market for Government securities is comprised of over-the-counter (OTC) and Trader Work Station (TWS) procedures. Both procedures are integral parts of the Market Infrastructure Module (MI Module), the automated auction and trading platform for government securities.

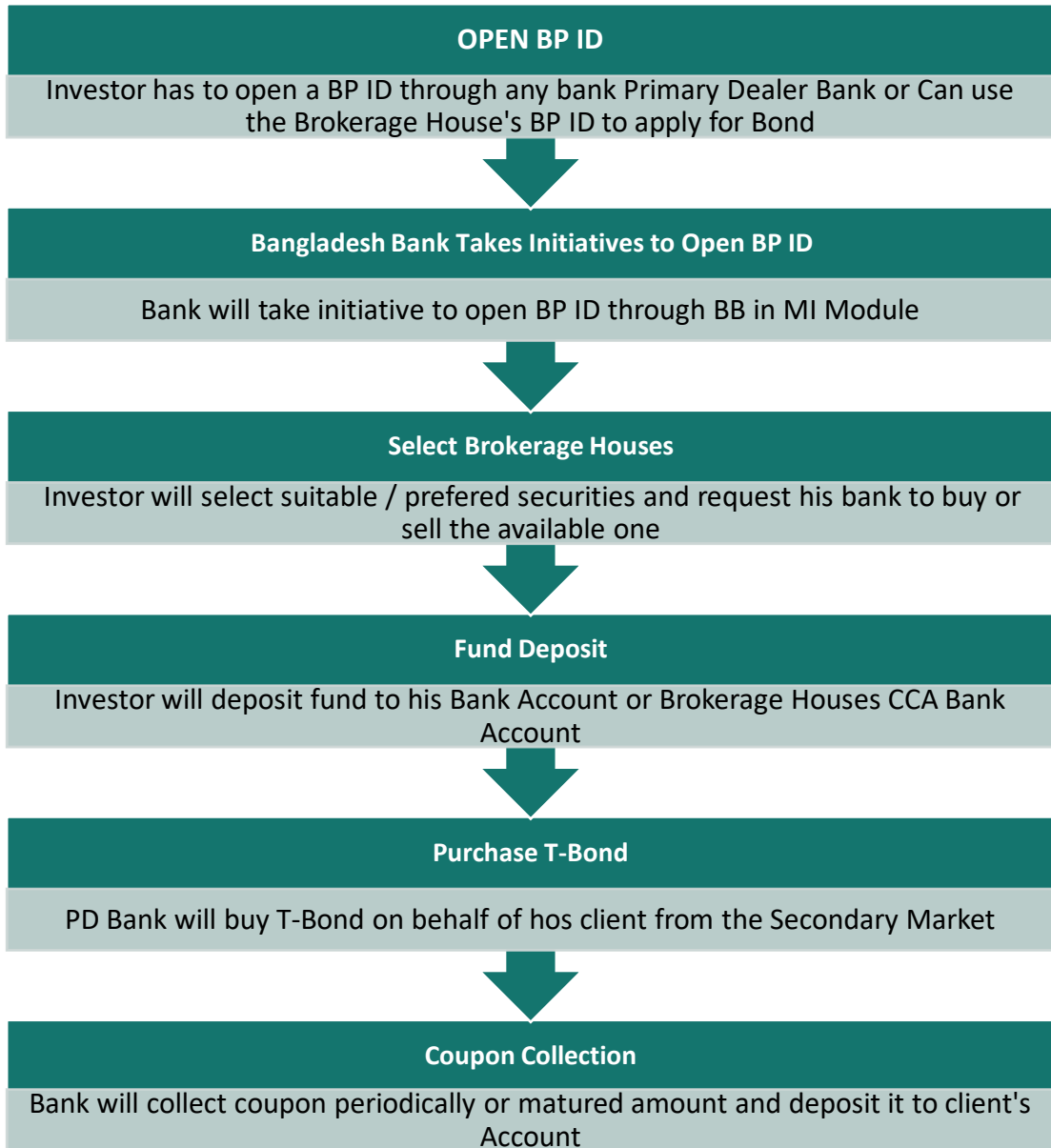
Over-the-counter (OTC)

In OTC market participants are required to submit sale/buy order in the OTC platform while counter party conform the order. Once they complete the trading process and the system accepts trades, the data automatically flows to Core Banking System (CBS) for clearing and settlement of funds for completion of the settlement of funds in CBS. Further, the trading securities have been transferred automatically to the buyer securities account in MI.

Trader Work Station

Bangladesh Bank has introduced the Trader Work Station (TWS)- an Order Matching system. The TWS is an electronic, screen based, order driven trading system for dealing in Government securities. In addition, the platform highlights the existing facility of Over-The-Counter (OTC) market in Government securities. Further, the TWS brings transparency in secondary market transactions in Government securities. Members can place bids (buy orders) and offers (sell orders) directly on the TWS screen. The system is order driven that matches all bids and offers focusing price/time. In particular, among the similar price orders, it matches the order on first come and first serve basis. The TWS facilitates Straight-Through-Processing (STP) system. In that system, trades that are automatically sent to the CBS for settlement.

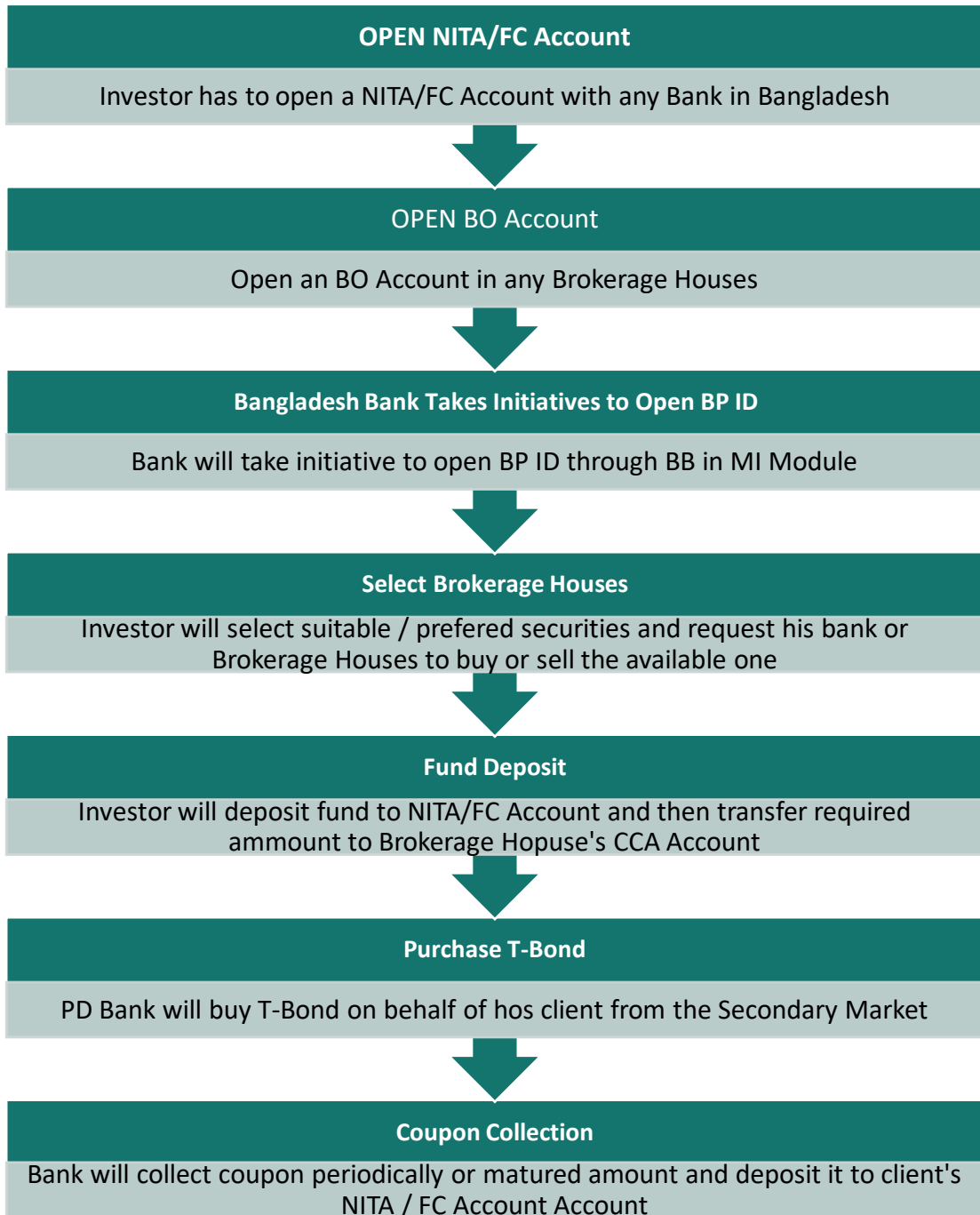
Operational Procedure of Secondary Trading for Resident Investors

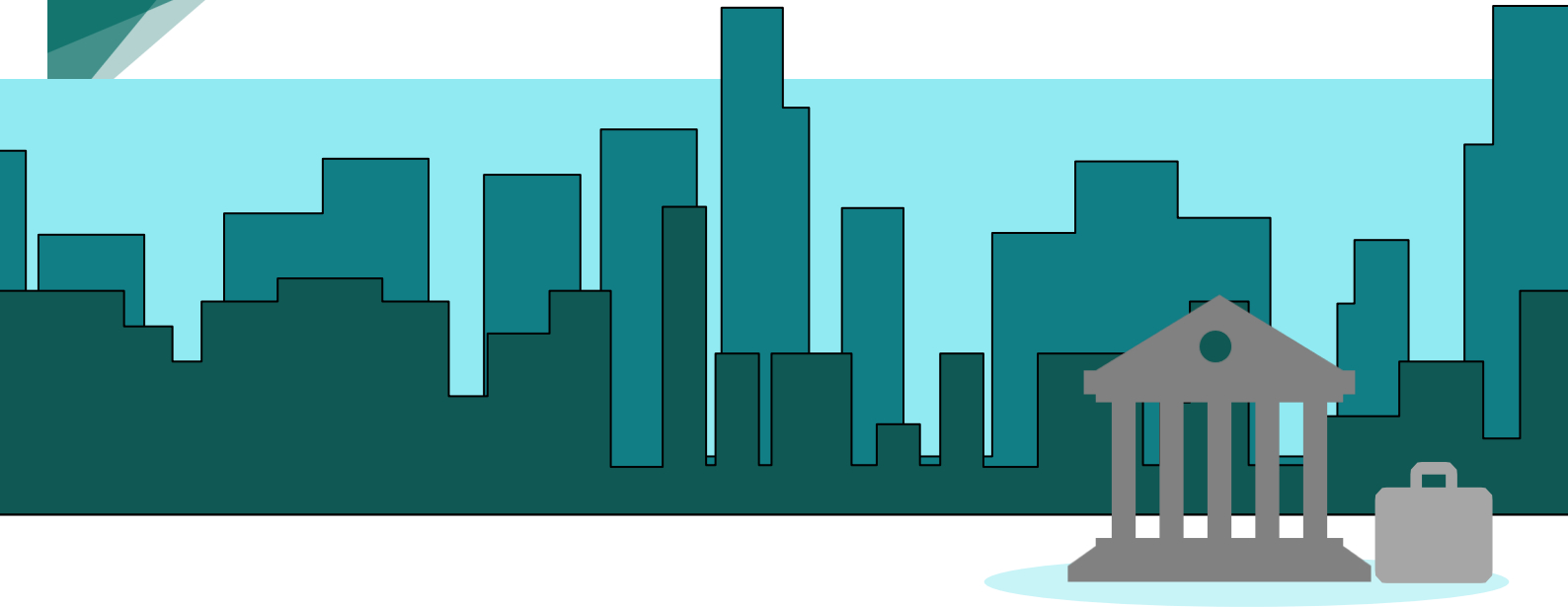


BP ID: Business Partner Identification Number

MI : Market Infrastructure Module

Operational Procedure of Secondary Trading by Non-Resident Investors





BOND PURCHASING CHECKLIST For PBSL

Key Required Documents

- Open a BO Account with PBSL
 - Bank Account for T-Bond must be Commercial Bank, not Accepted any Islamic or Sharia Based Bank Account
 - Online BO Opening Link: **"reg.padmasecurities.com.bd"**
- Application for Purchasing T-Bond from Auction
- Deposit required Funds to PBSL CCA Account

PBSL T-BOND Operation Start to End

- Collect T-Bond Purchase Application from Clients
- Checking BO Accounts of Applicant (Bank Details)
- Confirm the Ledger Balance of Applicants
- Transfer Applied Amount from CCA to BGTB (Client) Bank Account
- Fill T-Bond Purchase Form & Submit to AD Bank (The City Bank PLC)
- Fill G-SEC Transfer Form & Submit to AD Bank (The City Bank PLC)
- Determined the weighted average rate for the distribution of T-Bond's Units & Charges by Bangladesh Bank
- Collect T-Bond Auction Confirmation from Bangladesh Bank end of Auction
- Transfer an Excess amount from BGTB to CCA and transfer to Client's BO Account

Treasury Bonds - Investing for the Future

- Collect T-Bond Unit from BPID to PBSL Omnibus BO maintained by CDBL (Custodian for Client's T-Bond)
- Transfer T-Bond Unit from Omnibus BO to Applicant Clients BO (as per weighted average rate)
- Deduct all applicable charges from his or her BO Account (PBSL's Commission and Bank Charges)
- Provide Allotment Letter to Eligible Clients from PBSL

T-BOND Informatic Links and Reference

- Treasury Bill / Bond Auction (Latest)
<https://www.bb.org.bd/en/index.php/monetaryactivity/treasury>
- G-SEC Trades:
https://www.dsebd.org/itp_industry.php?area=88
- Mark to Market (MTM) of Govt Securities
<https://gsom.bb.org.bd/mtm.php>
- Yield to Maturity (YTM) Curves
<https://gsom.bb.org.bd/dailyYield.php>
- Upcoming Auction Calendar
https://www.bb.org.bd/en/index.php/monetaryactivity/auc_calendar
- BSEC Directive and Others
<https://www.dsebd.org/G-Sec-announcement-notice.php>
- Government Security Market
<https://www.bb.org.bd/en/index.php/financialactivity/govsecmrkt/index>