

রেজিস্টার্ড নং ডি এ-১

বাংলাদেশ



গেজেট

অতিরিক্ত সংখ্যা

কর্তৃপক্ষ কর্তৃক প্রকাশিত

সোমবার, মে ১৩, ২০১৯

Government of the People's Republic of Bangladesh
Ministry of Finance, Finance Division
Treasury and Debt Management Wing
Debt Management-1 Section

NOTIFICATION

Date : 10 May 2018

Issuance of Floating Rate Treasury Bond (FRTB)

No : 07.00.0000.136.46.029.14-35—Government has decided to issue Floating Rate Treasury Bonds (herein after called the FRTB) in pursuant of rule-4 of the Public Debt (Central Government) Rules 1946.

For this purpose the following definition will be applicable :

FRTB : FRTB is a treasury bond which pays periodic coupons linked with a specified reference interest rate. The coupon rate changes periodically as the reference rate changes.

Reference Rate : The coupon rate of FRTB is linked with BCR which is known as the reference rate of FRTB.

BCR : BCR or Bangladesh Compounded Rate is a daily rate announced by BB. It is a compound rate calculated from the implicit yields at the cut-off price of 91 days Treasury Bill auctions of previous 91 days.

Spread : Spread is the fixed portion of the interest of FRTB. It is added with the reference rate and fixed through the lifetime of the FRTBs.

Government : Government means the People's Republic of Bangladesh.

(১৫৭০৩)

মূল্য : টাকা ৮০০০

Bangladesh Bank : Bangladesh Bank (BB) means the Central Bank of Bangladesh.

Primary Dealer : Primary Dealer (PD) means a bank or financial institution nominated by the BB for secondary trading and market making of government securities.

Features of FRTB

- a) The maturity of FRTBs shall be more than one year and as decided by the Government from time to time.
- b) The FRTBs shall be issued at par and the coupon shall be paid quarterly on the par amount.
- c) The coupon rate shall be expressed as a summation of BCR and the spread which is determined through auction. For calculating coupon on auction the BCR of the auction date shall be applicable.
- d) The coupon rate determined in auction shall be fixed for the first quarter and reset on every coupon payment day for the next quarter according to the BCR of that day. If the coupon payment dates fall on a holiday the BCR of consecutive business day will be applicable for re-fixing coupon rate.
- e) FRTBs held by the banks and financial institutions on their own account shall qualify as approved security for Statutory Liquidity Requirement (SLR) fulfillment.

Eligibility

- a) Individuals and insitutional investors resident or non-resident shall be eligible to purchase and hold the FRTBs.
- b) The non-resident investors shall be eligible to purchase FRTBs with funds from a non-resident foreign currency account, or a Non-Resident Investor's Taka Account (NITA) with a bank in Bangladesh in the name of the purchaser. They also eligible to transfer coupon payments and resale or redemption proceeds abroad in foreign exchange.

Method of Issue FRTBs

- a) FRTBs shall be issued through yield based multiple price auction method. The bidders shall quote spread along with BCR as a percentage per annum.
- b) On the basis of the bids received in auction, the cut-off rate shall be determined by auction committee.

- c) Bids higher than the cut-off rate shall not be accepted. The successful bidder shall pay the price equivalent to the cut-off rate that it quotes.
- d) The bidders who will quote a rate lower than the cut-off rate shall pay a premium.
- e) The cut-off rate determined in the auction shall be the coupon rate for the first quarter.
- f) In case of re-opening the FRTBs shall be issued through price based auction where bidders shall quote the desired price per Taka 100.00 face value of the security.
- g) The bids shall be for face value amounts in multiples of Taka 1.00 lac.
- h) The settlement cycle of FRTBs sold through primary auction shall be T+1.
- i) BB shall publish the result on its website on the auction date.

Secondary Trading of FRTB

- a) FRTBs will be traded freely in over the counter (OTC) or in the order matching system. Transfers involved in these trades shall be booked in the Subsidiary General Ledger (SGL) accounts maintained with the BB.
- b) A one day shut period shall be applicable for transfer of FRTBs before each coupon payment and maturity date.
- c) The settlement cycle of FRTBs sold in secondary market shall be T+0.
- d) For settlement in secondary trading the delivery vs. payment (DvP) shall be applicable.

Settlement and Payment of FRTB

- a) The FRTBs shall be issued against the accepted bids on the following day of auction by debiting the current accounts of the bidders with the BB for the purchase price and crediting the Government's account with the full face value amount of the FRTB issued. The premium or accrued interest on the issues shall be credited to the Government account separately. The Government and the buyers shall be advised of the transactions accordingly.
- b) The bidding bank/financial institution or primary dealers shall ensure sufficient balance in excess of CRR in their current account with the BB to cover the full purchase price, premium and accrued interest (if any) of accepted bids.

- c) The FRTBs shall be issued as registered stocks in book-entry systems of BB. The transactions shall be processed as book-based clearing and settlement through SGL accounts in which the entries shall represent ownership of securities of an investor.
- d) On the coupon payment date the coupon payment shall be credited to the current accounts of the concerned banks/financial institutions by debiting the Government account maintained with BB.
- e) On the maturity date the face value along with the last coupon payment shall be credited to the current accounts of the concerned banks/financial institutions by debiting the Government account maintained with BB.
- f) If the maturity or coupon payment dates fall on a holiday, payment shall be made on consecutive business day.
- g) FRTBs shall be subject to the applicable Income Tax laws and regulations in force, except where specifically exempted there under.
- h) BB shall formulate the manual of FRTB including the detail auction and settlement procedure with the prior approval of government.

Md. Ekhlashur Rahman
Additional Secretary.