



## Frequently Asked Questions (FAQs)

### Government Debt Securities

#### What is a government security?

A Government security is a debt instrument issued by the Government of Sri Lanka with a promise to repay upon maturity. Government securities such as Treasury bonds, Sri Lanka Development Bonds and International Sovereign Bonds guarantee periodic coupon or interest payments and repayment of the instrument at maturity. Treasury bills are issued at a discount and face value is repaid at maturity. Treasury bonds can be issued at a discount, at face value or at a premium to the face value.

Public Debt Department of the Central Bank of Sri Lanka issues Treasury bills, Treasury bonds and Sri Lanka Development Bonds on behalf of the Government of Sri Lanka and repays maturity proceeds and coupon payments on due dates. Public Debt Department also engages in issuance of International Sovereign Bonds by liaising with the Ministry of Finance and the lead managers.

Generally, these securities are considered default-risk free instruments, since they are backed by the Government.

#### What are the domestic debt securities issued by the Government of Sri Lanka available for investors?

1. Treasury bills (rupee denominated)
2. Treasury bonds (rupee denominated)
3. Sri Lanka Development Bonds (SLDBs) (US dollar denominated)

#### What are the marketable debt instruments issued by the Government of Sri Lanka for local investors?

Treasury bills and Treasury bonds are issued in Sri Lankan rupees and in scripless form. Therefore, Treasury bills and Treasury bonds are highly frequently traded in the secondary market. Accordingly, the Yield rates of bonds and bills are determined by the market. To invest in the Primary Market, a minimum investment of Rs. five million (Rs.5,000,000) and multiples of Rs. one million (Rs.1,000,000) is required. However, there are no requirements for the secondary market minimum investment amount.

#### What is a Treasury bill?

Treasury bill is a short-term debt instrument issued with maturities of 91-day, 182-day and 364-day by the Government of Sri Lanka under the Local Ordinance No. 8 of 1923 (as amended).

Issued at a discount to the face value, Treasury bills guarantee the repayment of face value at maturity.

#### What is a Treasury bond?

Treasury Bond is a medium to long-term debt instrument issued by the Government of Sri Lanka under the Registered Stock and Securities Ordinance No. 1937 (as amended).

Treasury bonds have been issued with maturities of 2-year to 30-year.

Treasury bonds guarantee a fixed semi-annual coupon and repayment of face value at maturity.

#### As a foreign investor can I invest in Treasury bills and bonds?

Yes, if you fall in to one of the following categories.,

- a) Foreign Institutional Investors including country funds, mutual funds, or regional funds.
- b) Corporates incorporated outside Sri Lanka.
- c) Citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka.
- d) Non-resident Sri Lankans.

#### What benefits can I derive by investing in Treasury bills and bonds?

- a) These are considered to be default-risk free due to guarantee by the sovereign Government. Furthermore, they are called gilt-edged securities and they are regarded as extremely reliable investments.
- b) Market determined yield rates consider supply and demand and prices are determined accordingly.
- c) Since T bills and T Bonds are tradable in the secondary market, they are a source of liquidity.
- d) All receipts of interest and maturity proceeds by foreign investments investors are fully repatriable.

e) You could also have joint investments, which maximizes the investment options for you.

f) Your investments are held at the securities registry maintained by the CBSL, the Central Depository System (CDS) and facilitated with a full Scripless Securities Settlement System (SSSS) for settlement of securities.

**What is the procedure to be followed to purchase/sell Treasury bills/bonds and collection of proceeds?**

Local investors - Purchases and sales in the secondary market need to be coordinated with a dealer direct participant for effective settlement of the

Foreign Investors and Non- Resident Sri Lankans - Please refer Guidelines/Procedures to Participating Agents in the purchase and sale of Treasury bills and Treasury bonds issued by the Government of Sri Lanka to foreign investors and non-resident Sri Lankans bearing reference 08/21/005/107/001, dated December 2018.

Maturity and coupon proceeds are paid to the registered owner of securities through their respective dealer direct participants, which in turn are required to transfer such proceeds to the owners without undue delay.

**What is a Sri Lanka Development Bond?**

Sri Lanka Development Bonds (SLDBs) are debt instruments denominated in US dollars, issued by the Government of Sri Lanka in terms of the Foreign Exchange Control Ordinance No.29 of 1957. Repayment is guaranteed by the Government of Sri Lanka.

SLDBs guarantee a semi-annual coupon in US dollars and face value is repaid at maturity. These are issued at par.

**What are the main features of Sri Lanka Development Bonds?**

- a) Semi – annual Interest Payments.
- b) Minimum Investment at SLDB auctions is USD 10,000 and subsequently in multiples of USD 10,000.
- c) a US dollar denominated investment.
- d) Available in fixed interest rates.
- e) Issued through competitive bidding at SLDB auctions.
- f) Issued in scrip form and transferable by endorsement, delivery, and registration of the transfer with the Public Debt Department of the CBSL.

**How do I Get Information on Government Securities?**

- a) Details on available Government Securities and prevailing market rates can be obtained from Licensed Banks, Primary Dealers (PDs) and CBSL.
- b) Details on current auctions can be obtained from PDs and Licensed Banks.
- c) Any detail on Government Securities can be obtained from the Public Debt Department of the CBSL.
- d) Central Bank website

**Is market information available?**

Market information is commonly available via newspapers, Central Bank website, Bloomberg and Refinitiv.

**What are scripless Government securities?**

Scripless Government securities are held in securities accounts of a registry and ownership records are maintained in electronic form. These are not any physical certificate, for example all Treasury Bills and Bonds are issued in scripless form in Sri Lanka.

**What is LankaSecure System?**

The LankaSecure System is a system that contains the registry for scripless Government securities and Central Bank securities, and facilitates the such securities transactions.

LankaSecure system comprises of two components: the Central Depository System (CDS) and the Scripless Securities Settlement System (SSSS).

**What is Scripless Securities Settlement System (SSSS)?**

SSSS facilitates the settlement of transactions in Scripless securities issued by the Government and Central Bank. In the SSSS, settlement of securities takes place instantaneously as and when settlement instructions are submitted to the system by the participants of the system (SPDs, Licensed Banks and other institution permitted by the Monetary Board) and the sufficient balances to affect the transactions are available in the accounts (securities and cash). As a transaction takes place, securities will be transferred from one account to another (debited and credited) electronically.

**What is Central Depository System (CDS)?**

The CDS electronically records the ownership of scripless securities issued by the Government and the Central Bank. Ownership records are maintained instantaneously with transaction settlement.

**What is the relationship of investors with LankaSecure?**

Investors in scripless Government securities can open and maintain securities accounts in LankaSecure through dealer direct participants, (Sri Lanka banks). All transactions relating to investors are reported to the system through the respective dealer direct participant. Each investor or investor group has separate accounts in LankaSecure. Investors can maintain multiple accounts under one or more dealer direct participants.

**If I am an investor in Government securities, do I get statements by LankaSecure?**

LankaSecure issues periodic statements to all account holders. The details of such statements are as follows.

- a) Transaction Summary - A monthly statement confirming the transactions that took place during the month. If the investor has not made any during the month, a statement will not be generated.
- b) Holding Statement – A bi-annual statement confirming the outstanding balance held by each investor with a breakdown of account type.
- c) Payment Statement - A statement issued soon after a maturity or coupon payment made to the investor indicating the details of such payment.

These statements will be issued directly to investor and posted to the address of the investor, as registered in the CDS.

Can I view my LankaSecure accounts through the Internet?

LankaSecureNet is a web-based facility provided by the CBSL that enables account holders of Government securities to view details of their investments for convenience. Details include the transactions, interest and maturity payments and outstanding balances. This facility provides current and historical information relating to investments.

How do I obtain this LankaSecureNet facility?

Please follow the instructions given in the LankaSecure Customer Information System for new customer applications (<https://www.cbsl.lk/lankasec/>)

Can I receive notifications or alerts on my securities investments or transactions?

Yes. LankaSecure facilitates real-time notifications to investors. An SMS or/and an e-mail is sent to the investor, following any movement of securities account, i.e. a notification is sent to investors soon after a transaction has been affected on their account.

What is "outstanding debt"? How much is the outstanding debt securities of GOSL?

Outstanding debt is measured as the face value of the debt that is yet to be repaid. Face value is the undiscounted amount of principal to be repaid at maturity. The main reason for using face value is that it is the standard market practice for quoting and trading specific volumes of a particular instrument.

Information regarding the outstanding debt securities of GOSL can be obtained via the following links.

**[Outstanding Central Government Debt](#)**

**[Weekly Economic Indicators](#)**

What are bid and offer rates?

The bid rate is the maximum rate a particular buyer of government securities is willing to pay in order to purchase a given security demanded by the market. The offer rate is the minimum rate that a particular seller is willing to sell a given security which they are currently holding.

What are secondary market quotes published by the CBSL?

These are bid and offer rates that market participants expect to trade government securities within the day. Market participants report their expected rates to the Public Debt Department by 9:00 am on each working day. These are averaged per instrument and published by the CBSL.

Secondary market bid and offer rates for Treasury bills and Treasury bonds can be obtained via the following link.

**[Secondary Market Yield Rate for Treasury bills & bonds](#)**

What is "sovereign credit rating"?

Sovereign credit rating is an assessment of the creditworthiness of a country (i.e. sovereign borrower's) considering its ability and willingness to repay its obligations on time. The assessment is conducted by independent credit rating agencies that analyse both quantitative and qualitative criteria within the scope of macroeconomics. A sovereign rating is specified by an orderly ranking of letter grades. The rating assessment gives international as well as local investors an insight into the level of risk, including any political risk, associated with investing in the debt of a particular country.

Sri Lanka has been engaging with three rating agencies, namely Fitch Ratings (Fitch), S&P Global Ratings (S&P) and Moody's Investors Service (Moody's), for more than a decade. These rating agencies, publish their rating assessment reports periodically. These reports can be accessed through the website of the respective credit rating agencies.

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[Department of Foreign Exchange](#)  
(<http://www.dfe.lk>)

[Center for Banking Studies](#)

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## Useful Sites

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[Ministry of Finance](#)  
(<http://www.treasury.gov.lk/>)

[Department of Census and Statistics](#)  
(<http://www.statistics.gov.lk/>)

[Institute of Bankers of Sri Lanka](#)  
(<http://www.ibsl.lk>)

[International Monetary Fund](#)  
(<http://www.imf.org>)

[Colombo Stock Exchange](#)  
(<http://www.cse.lk/>)

[Credit Information Bureau](#)  
(<http://www.crib.lk>)

[Sri Lanka Accounting and Auditing Standards Monitoring Board](#)  
(<http://slaasmb.gov.lk/>)

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