

ডেট ম্যানেজমেন্ট ডিপার্টমেন্ট
বাংলাদেশ ব্যাংক
প্রধান কার্যালয়
ঢাকা।

ডিএমডি সার্কুলার নং-০৩

প্রধান নির্বাহী
বাংলাদেশে কার্যরত সকল তফসিলি ব্যাংক ও আর্থিক প্রতিষ্ঠান

০৭ জ্যৈষ্ঠ ১৪২৫

তারিখঃ -----

২১ মে ২০১৮

প্রিয় মহোদয়,

Floating Rate Treasury Bond (FRTB) এর ম্যানুয়াল ও নোটিফিকেশন অনুমোদন প্রসঙ্গে।

অর্থ মন্ত্রণালয়ের ১০.০৫.২০১৮ তারিখের ০৭.০০.০০০০.১৩৬.৪৬.০২৯.১৪-৩৬ নম্বর পত্রের মাধ্যমে Floating Rate Treasury Bond (FRTB) এর ম্যানুয়াল অনুমোদন করা হয়েছে এবং এ সংক্রান্ত প্রজ্ঞাপন জারী করা হয়েছে। অর্থ মন্ত্রণালয় কর্তৃক জারীকৃত প্রজ্ঞাপনটির কপি এতদসঙ্গে সংযুক্ত করা হলো।

সংযোজনীঃ বর্ণনা মোতাবেক।



(সৈয়দ তারিকুজ্জামান)

মহাব্যবস্থাপক

ফোনঃ ৯৫৩০১৩১

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গণপ্রজাতন্ত্রী বাংলাদেশ সরকার
ট্রেজারি ও ঋণ ব্যবস্থাপনা অনুবিভাগ
ঋণ ব্যবস্থাপনা অধিশাখা-২
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১৩/০৫/১৮
বর্তমানের
পেত্রি (সংস্কৃত)

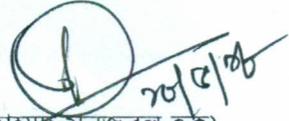
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তারিখঃ ১০.০৫.২০১৮ খ্রিঃ

বিষয়ঃ Floating Rate Treasury Bond (FRTB) এর ম্যানুয়াল ও নোটিফিকেশন অনুমোদন।

* উপর্যুক্ত বিষয়ে জানানো যাচ্ছে যে, Floating Rate Treasury Bond (FRTB) এর ম্যানুয়াল অনুমোদিত হয়েছে। পাশাপাশি, এ সংক্রান্ত নোটিফিকেশন জারী করা হয়েছে। অনুমোদিত ম্যানুয়াল ও ইস্যুকৃত নোটিফিকেশন অবগতি ও পরবর্তী কার্যার্থে নির্দেশক্রমে এতদসঙ্গে প্রেরণ করা হলো।

সংখ্যকি : বর্ণনামত।


(মুহাম্মদ মনজুরুল হক)
উপ-সচিব
ফোনঃ ৯৫৭৬০২৭

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গভর্নর
বাংলাদেশ ব্যাংক
প্রধান কার্যালয়, মতিঝিল, ঢাকা।
[দৃঃ আঃ মহাব্যবস্থাপক, ডেট ম্যানেজমেন্ট ডিপার্টমেন্ট, বাংলাদেশ ব্যাংক]

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

No: 07.00.0000.136.46.029.14-35

Date: 10 May 2018

NOTIFICATION

Issuance of Floating Rate Treasury Bond (FRTB)

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;

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 institutional 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.

Signed
Date: 10 May 2018
(Md. Ekhlashur Rahman)
Additional Secretary
Treasury and Debt Management Wing

No: 07.00.0000.136.46.029.14-35

Date: 10 May 2018

Copy forwarded for kind information and kind action:

1. Governor, Bangladesh Bank, Bangladesh Bank Head Office, Motijheel, Dhaka.
2. Secretary, Finance Division, Ministry of Finance, Bangladesh Secretariat, Dhaka.
3. Additional Secretary, Treasury and Debt Management Wing, Finance Division, Bangladesh Secretariat, Dhaka.
4. Deputy Governor and Chairman of Auction Committee, Bangladesh Bank, Bangladesh Bank Head Office, Motijheel, Dhaka.
5. General Manager, Debt Management Department, Bangladesh Bank, Bangladesh Bank Head Office, Motijheel, Dhaka.
6. Deputy Director, Bangladesh Government Press, Tejgaon, Dhaka **(with request to publish this notification in a special gazette and send 50 copies to the undersigned)**
7. Office copy.


(Md. Monzorul Haque)
Deputy Secretary
Debt Management Branch-2
Finance Division, Ministry of Finance.
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Manuals of Auction of Floating Rate Treasury Bond (FRTB)

Government of the People's Republic of Bangladesh has decided to issue Floating rate Treasury Bonds (FRTB). FRTB shall be more than 1 (one) year maturity with a quarterly coupons linked with 91 Days Bangladesh Compounded Rate (BCR) as reference rate. The coupon rate for next coupon period will be reset on every coupon payment date as the BCR changes. This manual provides the objectives of issuing FRTB along with the auction, settlement and payment procedure.

The objectives of issue FRTBs:

The FRTB is allowed for long-term funding at a cost linked to a short-term rate (BCR particularly). Thus issuance of FRTBs diversifies the government's funding costs away from being uniquely based fixed-rate coupons.

On the other hand, as the interest rate of an FRTB is linked with a short term reference rate it has a minimal exposure to interest rate risk. It also has low duration irrespective of its final maturity which lowering the level of asset-liability duration mismatch of institutional investors such as banks or financial institutions.

Auction procedure:

- a) The auction shall take place on a pre-announced date and time. Bangladesh Bank (BB) will announce the auction notice with auction date and time including the terms and conditions of bidding.
- b) In case of new issuance FRTB shall be issued through yield based multiple price auction method. The bidders shall quote a spread along with the BCR as a percentage with two decimals. The bidders shall use the BCR of the auction date published in the website of BB.
- c) It shall be price based auction in case of reopening. The bidders shall quote the price of the security on face value of Taka 100.
- d) An applicant may submit more than one bid at different spread or prices, as the case may be, through separate applications for each bid.



- e) The bids shall be for face value amounts in multiples of Taka 1.00 lac. Bids quoting desired interest rate or price and nominal amount for each BDT 100.00 shall be submitted in electronic format on Market Infrastructure (MI) module on the date of auction. In contingency situation such as system failure or other reasons bids can be submitted using the paper form (bids in sealed covers) with prior approval of BB.

Procedure of determining cut-off rate or price in auction

- a) All the bids submitting in auction will be opened on the same day on pre-announced time. In case of new issuance the bids will be arranged in ascending order of coupon rate received from the bidders and presented before the auction committee. The committee will determine the cut off rate and the intended volume of issues. Bids higher than the cut-off rate will not be accepted.
- b) The successful bidder will pay the price equivalent to the cut-off rate that it quotes. The bidders who will quote a rate lower than the cut-off rate shall have to pay a premium.
- c) In case of reissuance/reopening auction the maturity date, coupon payment dates and coupon rate will be announced prior to the auction.
- d) In reopening auction bids shall be arranged in descending order of prices and the auction committee will determine the cut off price of the intended volume of issues. Bids lower than the cut-off price will not be accepted. The successful bidder will pay the price equivalent to the cut-off price that it quotes.

Procedure of determining coupon rate

- a) The coupon of FRTBs shall be paid quarterly on the par amount.
- b) The cut-off rate determined by the auction committee in the auction of new issue will be the coupon rate for the first quarter and reset on every coupon payment day for the next quarter according to the BCR of that day. The spread of the FRTBs determined in auction will be fixed for the lifetime of the FRTBs.
- c) BB shall publish the coupon rate on every coupon payment date for the next quarter according to the BCR of that day along with the fixed spread of the FRTBs.
- d) If the coupon payment dates fall on a holiday the BCR of consecutive business day will be applicable for re-fixing coupon rate.

Announcement of result



- a) BB will announce the result of the auction on its website after completing the auction on the auction day.
- b) The result will comprise of the amounts of bids accepted, cut off rate, allotment and payable amount including premium or accrued interest (if any).

Settlement procedures of primary issues

- a) The bidding bank/financial institution or primary dealers will 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.
- b) The bids submitted in an auction will be considered as the letter of authorization of the participating institutions to debit their current accounts maintained with Bangladesh Bank.
- c) The settlement cycle of FRTBs sold through auction will be T+1. The FRTBs will 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.
- d) The FRTBs will be issued as registered stocks in book-entry system of BB. The transactions will be processed as book-based clearing and settlement through Subsidiary General Ledger (SGL) accounts in which the entries will represent ownership of securities of an investor, a transfer of ownership of securities will be completed by debiting and crediting the accounts concerned.
- e) Each bank or financial institutions submitting bids in the auctions will be eligible to maintain two SGL accounts with BB, one for their own position and the other for their clients' position. The SGL account holders at their end shall also maintain SGL accounts separately for their own and clients' positions.

Settlement procedures in secondary trading

- a) FRTBs will be traded freely in over the counter (OTC) or in the order matching system (OMS). Transfers involved in these trades will be booked in the SGL accounts



maintained with the BB upon submission of transfer declaration applications by the buyer and the seller.

- b) Transfers between own and client's account or between the client's accounts of the same bank/financial institution involving no payment settlement through current account with the BB shall be booked in the system. In that case transferees and transferors shall report the transactions duly filled in application to the BB.
- c) Transfer accompanied by cheque drawn on current account of the transferee in favour of the transferor, will be booked in the SGL accounts concerned on a same day basis after booking of debits and credits to the current accounts concerned.

Procedures of coupon payment and redemption on maturity

- a) On coupon payment date the coupon on face value will be credited to the current accounts of the concerned banks/financial institutions by debiting the Government account maintained with BB. Similarly, on the maturity date the face value along with the last coupon payment will be credited to the current accounts of the concerned banks/financial institutions.
- b) A one day shut period will be applicable for transfer of FRTBs before each coupon payment and maturity date. No transfer effected on this shut period will be accepted.
- c) If the maturity or coupon payment date falls on a holiday, payment will be made on consecutive business day.

Reports and reconciliation

- a) The banks/financial institutions/primary dealers (PDs) shall report their holdings of FRTBs and secondary trading as prescribed by BB.
- b) The banks/financial institutions/PDs shall reconcile their own and clients SGL accounts with the SGL accounts maintained with BB on own responsibility on a monthly basis.


MD MONZURUL HAQUE
Deputy Secretary
Finance Division, M/O. Finance
Govt. of the People's Republic of Bangladesh