



ශ්‍රී ලංකා මහ බැංකුව  
இலங்கை மத்திய வங்கி  
CENTRAL BANK OF SRI LANKA

රාජ්‍ය ණය දෙපාර්තමේන්තුව  
பொதுப்பிடுகடன் திணைக்களம்  
PUBLIC DEBT DEPARTMENT

අංක 30, ජනාධිපති මාවත, කොළඹ 01  
இல. 30, சனாதிபதி மாவத்தை, கொழும்பு - 01  
No. 30, Janadhipathi Mawatha, Colombo 01

Ref: 08/21/005/097/001

### Direction on Primary Issuance of Treasury Bills

These directions are issued under Regulation 11(1) of the Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009 dated 24 June 2009 made by the Minister of Finance under the Local Treasury Bills Ordinance No. 8 of 1923 and shall be in force from 21.06.2023.

Colombo

Date: 19.06.2023

N.D.Y.C. Weerasinghe

Superintendent of Public Debt

1. Commencing from 21.06.2023 primary issuances<sup>1</sup> of Treasury bills shall be in accordance with the Guidelines given in the schedule hereto.
2. All primary dealers shall adhere to the applicable provisions of these Guidelines.
3. Direction on Minimum Subscriptions Level for Treasury bill and Treasury bond Auctions dated 15 August 2003 bearing ref: 08/24/002/0005/003 will be replaced with the Direction issued on 24.07.2017 and the attached Direction on Primary Issuance of Treasury bills with effect from 21.06.2023.

<sup>1</sup> refers to the multi-price auction arrangement at Phase I and single-price allocation at Phase II, unless otherwise specifically noted.



## **Guidelines on Primary Issuance of Treasury Bills**

### **Part I. General Provisions**

#### **1. Introduction**

- 1.1 These Guidelines are for the primary issuance of Treasury bills (T-bills) by the Central Bank of Sri Lanka (hereinafter called and referred to as “CBSL”), acting as the agent of the Government of Sri Lanka (hereinafter called and referred to as “Issuer”) for the management of public debt.
- 1.2 The Public Debt Department (PDD) of the CBSL carries out relevant functions of CBSL regarding the issuance of T-bills and shall be the contact point for inquiries relating to the issuance of T-bills.
- 1.3 The obligations and duties of the CBSL and that of the Participants eligible to participate at the primary issuance of T-bills as set out in these Guidelines are aimed at providing a more transparent and efficient framework for the proper conduct of such issuances.

### **Part II. Responsibilities and Duties of CBSL**

#### **2. General Responsibilities and Duties**

- 2.1 The CBSL shall:
  - i. organize and facilitate smooth conduct of the issuances;
  - ii. provide equal access to all eligible Participants for such issuances within the established process;
  - iii. publish the issuance calendar and other relevant communications;
  - iv. ensure that all bids in auctions are treated in a fair and transparent manner in allocating T-bills and;
  - v. maintain, publish, and regularly update statistical data on market operations, yields/prices, volumes including a list of all T-bills issued showing the amounts outstanding, the issue and maturity dates and any other information as may be relevant for the government debt securities market.



### **3. Organization of the Primary Issuances**

- 3.1 Issuance of T-bills in the primary market shall be effected as described in these Guidelines.
- 3.2 Only Primary Dealers (PDs) appointed by the Monetary Board (MB) of CBSL and other Participants specially authorized by the MB to participate at primary issuances (hereinafter referred to as "Participants") are eligible to submit their bids at the issuances.
- 3.3 Any other party may submit its bids in the primary market for T-bills through one or more PDs who in turn, subject to satisfactory validation shall submit such bids under their identities and with full responsibility for the subscription, if accepted.
- 3.4 CBSL shall set the issuance amount on offer according to item 7 of these Guidelines and with the approval of the Issuer may, change or amend such amount in the case of a particular issuance provided at least one (01) day's advance notice of any such amendments are made available to all Participants.
- 3.5 Primary issuance of T-bills following an auction shall be settled on T+2 basis or as specified in the notice of the issuance published by CBSL.

### **4. Denotation of the Issuance**


- 4.1 The International Securities Identification Number (ISIN) shall be the unique identifier of government securities.

## **Part III. Responsibilities and Duties of Participants**

### **5. Responsibilities of Participants**

- 5.1 Each PD shall maintain a minimum bidding requirement at auctions as specified in Item 9 of these Guidelines.
- 5.2 Participants, as applicable, shall at all times follow these Guidelines and any other terms and conditions of the issuances that may be determined and announced by CBSL.
- 5.3 Participants shall ensure that CBSL has up-to-date specimen authorized signatures for T-bills and only the persons named in such specimen signatures shall be entitled to submit or sign auction bids either electronically or manually.
- 5.4 Each Participant shall tender its bids at the issuance directly and independently and shall not act in any form to share any price sensitive bidding information with any





other third party directly or indirectly except for communication it shall make with a party in the process of bidding at an issuance on such party's behalf, in which event such communication shall be limited to information directly related to such bid/bidder only.

#### **Part IV. Issuance Process**

##### **6. Issuance Calendar**

- 6.1 CBSL will announce on a regular basis, the terms of issuances over the forthcoming period and will publish such in the CBSL website.
- 6.2 The issuance calendar contains information regarding the auction dates, settlement dates and the tenures to be on offer.

##### **7. Announcement**

- 7.1 CBSL will publish an issuance announcement through publication in CBSL website and local newspapers not later than two (2) business days under normal circumstances before the issuance of T-bills. CBSL also can make such announcement at different intervals under exceptional circumstances.
- 7.2 The issuance announcement includes:
- i. ISINs of the T-bills being issued
  - ii. Issue date
  - iii. Settlement date
  - iv. Total volume offered in face value basis; and
  - v. Issuance opening and closing times for bid submission as stipulated under Item 9 and Item 10 of these Guidelines.
- 7.3 CBSL has the right to issue previously issued securities (reopening) at one or multiple issuances. Such issuance will have the same ISIN and same maturity dates stated at the initial issuance.
- 7.4 CBSL reserves the right to postpone or cancel an issuance, which should, however, only be considered in extreme circumstances. Postponement may be considered in an eventuality where the issuer, or a significant number of Participants is/are wholly or partially incapacitated for whatever reason and the issuance may be postponed until later time with communication to Participants, in the premise that the issuance may still be settled on the same day as originally published.

## **8. Methodology**

- 8.1 Three (3) T-bill ISINs or appropriately defined ISINs are offered at each weekly issuance.
- 8.2 CBSL will reserve itself the right of accepting any portion of a bid or the whole of it and shall have the right of rejecting any or all bids without assigning any reason thereto.
- 8.3 For each issuance of a T-bill ISIN, an issue date will be specified as per the ISIN. In general, the issue date of an ISIN will be the Friday of every week.
- 8.4 T-bill issuance for each ISIN comprises two (2) phases. Competition based bidding at Phase I and a Phase II for voluntary bidding. Both phases are open for all Participants.
- 8.5 Settlement of T-bills issued under Phase I and Phase II shall be made on the settlement date as specified in the issuance announcement under Item 7.
- 8.6 A description of the methodology of issuance under each phase is given below (detailed steps under each phase are discussed under Items 9-10 of these Guidelines): Bidding at each of these Phases are available for Participants only.


### **Phase I:**

- i) Conducting the multi-price competitive auction. The CBSL determines the amount to be accepted under each ISIN, the cut-off rate and the resultant auction Weighted Average Yield Rate (WAYR). The CBSL will exercise all reasonable efforts to accept the entire offered amount under Phase I subject to receipt of reasonably priced market bids at this round.
- ii) CBSL has the right to accept any volume from any of the ISINs offered provided the aggregate acceptance under all ISINs offered does not exceed the aggregate offered.
- iii) Notifying each bidder of its auction outcome under Phase I along with auction WAYR and amount available for bidding under Phase II through the issuance system, if any.

### **Phase II:**

- i) Phase II of the issuance system will be executed following determination of WAYR at Phase I.



- 
- ii) Volume offered for bidding at Phase II will be any aggregate shortfall at Phase I and 25 per cent of the aggregate amount offered or Rs. 5.0 billion, whichever is higher,  
i.e. {aggregate offered amount at Phase II} = {aggregate shortfall at Phase I + (higher of 25 per cent of aggregate amount offered at Phase I or Rs. 5.0 billion)}.
  - iii) Auction Participants can bid voluntarily at Phase II for volume at the WAYR determined at Phase I for the respective maturities on offer.
  - iv) In the event of having accepted no volume or at least 125 per cent of the amount offered from a particular ISIN at Phase I, such ISIN will not be offered at Phase II.
  - v) In case of oversubscription at Phase II, by Participants, initial allocation will be prorated across ISINs based on the response received for each ISIN at Phase II and Participant wise allocation would be based on aggregate performance of each Participant at Phase I.

8.7 The settlement date for the T-bills purchased in Phase II will be the settlement date of the particular issuance.

8.8 On the settlement date, CBSL will issue T-bills in electronic form through LankaSecure System on DVP (delivery versus payment) basis at a time stipulated in the System Rules of LankaSettle made under Section 62A of the Monetary Law Act.

## **9. Submission and Acceptance of Bids under Phase I**

9.1 Authorized Users of Participants shall submit their bids between 0830 hrs to 1100 hrs on the auction day through the electronic bidding platform, under normal circumstances.

9.2 Bids can be submitted generally at a discount.

9.3 Bids must be in multiples of Sri Lankan Rupees (LKR) one (1) million, with a minimum bid volume of LKR five (5) million.

9.4 Separate bids shall be forwarded if a bidder wishes to make bids at more than one bid price. The bid price should be quoted in rupees for each Rs. 100 up to four (4) decimal places.

9.5 Multiple bids are allowed.

9.6 A single bid should not exceed the aggregate offered amount at Phase I.

9.7 The minimum permitted total bid volume per PD under Phase I of any auction is calculated as follows:

*Minimum volume of bidding by each PD (under each ISIN)*

$$= \frac{\text{Total Amount Offered}}{\text{Number of PDs eligible to bid at Primary Auction Concerned}}$$

9.8 Authorized Users of Participants may place and/or, change their bids within the time window provided in Item 9.1 above. No party is allowed to make any changes to its bids at the expiration of such time window.

9.9 In the case of an unavoidable technical issue hindering submission of bids pursuant to Item 9.1 above, the Participant concerned shall at the earliest opportunity notify any Authorized Officer of PDD by way of telephone call or email or fax of such issue and upon acceptance by CBSL, may send its bids by way of email or fax to any Authorized Officer of PDD or deliver the same directly to any Authorized Officer of PDD within the prescribed time window. Bids sent via email should be originated through designated email IDs of Authorized Users whereas any fax containing bids shall be signed by Authorized Users. Participants may verify delivery of bids by way of email or fax with CBSL using the designated contact telephone number/s. Non-compliance with this requirement may result in relevant bids not being included in the auction.


9.10 In the event of acceptance of all bids of a given price under a given ISIN results in exceeding the total aggregate acceptance under Phase I, volumes to be issued under such price under the said ISIN will be prorated.

9.11 At the end of Phase I, around 1430 hrs of the auction day, each Participant will be notified through the auction system of the bidding outcome at Phase I under each ISIN along with corresponding WAYR and amount and ISINs available for bidding under Phase II, if any.

## **10. Submission and Acceptance of Bids under Phase II**

10.1 In instances where a WAYR is determined at Phase I with the acceptance of any amount, Phase II can be executed around 1430 hrs on the auction day. The Phase II will be initiated immediately after the releasing of results of Phase I in the system and will be kept active till the end of business i.e. 4.00 pm of the day prior to the settlement date of the respective auction, under normal circumstances. A system





generated e-mail and a text messaging through short-message-system (SMS) will be sent to Participants when commencing the Phase II.

- 10.2 Available amount for bidding at Phase II, including ISINs on offer, would be announced immediately after conclusion of Phase I through the auction system.
- 10.3 Under Phase II, each of the auction Participant is allowed to offer a single bid for each of the ISIN on offer through the issuance system up to the total amount offered at Phase II for subscription at the respective WAYR as announced under Phase I results. Minimum volume to be bid remains LKR five (5) million and multiples of LKR one (1) million.
- 10.4 Participants are allowed to submit their bids maximum up to the aggregate amount offered at Phase II.
- 10.5 Authorized Users of Participants may place and/or, change their bids within the time window provided under item 10.1 above. No party is allowed to make any changes to its bid once prescribed time window has expired.
- 10.6 In the case of an unavoidable technical issue hindering submission of a bid pursuant to Item 10.1 above, the Participant concerned shall at the earliest opportunity notify any Authorized Officer of PDD by way of telephone call or email or fax of such issue and upon acceptance by CBSL, may then within the prescribed time window, send its bid by way of email or fax to any Authorized Officer of PDD or deliver the same directly to any Authorized Officer of PDD. Any bid sent via email should be originated through designated email IDs of Authorized Users whereas any fax containing bids shall be signed by Authorized Users. Participants may verify delivery of bids by way of email or fax with CBSL using the designated contact telephone number/s. Non-compliance with this requirement may result in relevant bids not being included in the auction.
- 10.7 In the case of oversubscription, Phase II allocation for each ISIN is determined as follows:

$$\frac{\text{Total of bids received for particular ISIN at Phase II} \times \text{Total aggregate amount offered at Phase II}}{\text{Total aggregate bids received under Phase II for all ISINs}}$$



10.8 The minimum eligible amount ( $E_i$ ) to be issued under Phase II for each auction Participant under each ISIN offered at Phase II is determined as follows:

*Phase II allocation under the ISIN  $\times$  Aggregate performance of the Auction Participant at Phase I (%)*

100


10.9 However, the actual amount that could be issued to a Participant may vary on its offered volume under Phase II and volumes offered for subscription by other Participants under Phase II.

- i. If the aggregate of bids under Phase II exceeds the amount to be issued, allocation to each Participant will be based on such Participant's aggregate performance at the competitive auction at Phase I (weighted by each Participant's aggregate total payable amount in Phase I).

**Scenario 1** – If the total volume bid by the sub-set of Active Participants (an Active Participant is any Participant who has been issued any volume at the competitive auction in Phase I) is more than the volume available for issuance under Phase II, issuance under Phase II will be limited to Active Participants only. Issuance to each such Active Participant through Phase II will be based on rounds of an iterative process. At Round 1, allocation to each Participant will be the minimum of  $E_i$  calculated under Item 10.7 above and the volume bid under Phase II by the relevant Participant. After end of allocation under Round 1, any remainder to be issued will be considered at Round 2 for further allocation under a similar iterative process executed at Round 1 considering  $E_i$  calculated under Item 10.7 and any remaining under allocated volume of the bidder under Phase II following allocation at Round 1. This process will continue until the entire amount available under Phase II is distributed among Active Participants. The total allocation to each Active Participant under Phase II will be the aggregate of issuances made at each round explained above.

An example of Scenario 1 is exhibited at Annex A.

**Scenario 2** – If the total volumes bid by the sub-set of Active Participants is less than the volume available for issuance under Phase II above entire subset of Active Participants will be allocated the total volume bid by each such Active Participant. The balance unallocated volume will be issued among the rest of



the Participants who bid under Phase II, proportionate to the volume bid by each such Participant at Phase II.

An example of Scenario 2 is exhibited at Annex B.

- ii. If the aggregate of bids under Phase II is less than the amount offered at Phase II, all bids are accepted.

## **11. Announcement of Issuance Results**

- 11.1 CBSL shall publish information on the issuance results of Phase I through CBSL website around 1530 hrs on the auction day.
- 11.2 The published issuance results will in particular include:
  - i. The total offered volume;
  - ii. The aggregate volume bid under Phase I;
  - iii. The total volume allocated; and
  - iv. WAYR.
- 11.3 CBSL shall publish information on the aggregate issuance results of T-bills at the closure of Phase II.
- 11.4 The published issuance results will in particular include:
  - i. The aggregate volume bid under Phase II; and
  - ii. The total volume allocated.

## **12. General Administrative Arrangement**

- 12.1 The names and specimen signatures of Authorized Users of staff of Participants, their contact telephone numbers, e-mail addresses and fax numbers shall be sent directly to PDD.
- 12.2 The names of the Authorized Officers of staff of PDD, their contact telephone numbers, e-mail addresses and fax numbers will be sent directly to each Participant.
- 12.3 Each Participant is responsible for the accuracy of the information contained in the bid.
- 12.4 No bid is deemed to be legally accepted unless the issuance results are announced.



## Part V. Claims

### 13. Claims

- 13.1 Where a Participant believes of any mistake in the issuance results or any other mistake arising relating to the issuance (other than acceptance of a bid, the Participants considered as entered incorrectly), the Participant shall immediately inform PDD.
- 13.2 Within three (3) working days of receiving notification under item 13.1 above, PDD shall respond to the Participant in relation to the subject matter reported.
- 13.3 If the Participant is not satisfied with the way in which the matter is being dealt with, it may send the Governor of CBSL a formal written complaint. CBSL shall investigate the complaint and shall inform the Participant of the results of that investigation and its conclusions within five (5) working days of receiving the complaint.
- 13.4 Any Participant who is not satisfied with the solution provided by the CBSL after the period specified under section 13.3 above may submit their formal written complaints to the Issuer (Minister in charge of the subject of Finance) who may in turn request the Secretary to the Ministry of Finance for investigation and to make recommendations for a suitable action, if necessary.

## Part VI. Definitions

### 14. Definitions

#### **Multi Price Competitive Auction:**

An auction requiring Participants to submit bids competitively whereas the bid of the lowest yield or highest price receives the allocation first and the process continues until the auction is concluded.

#### **Participants:**

Primary Dealers appointed by MB and other Participants specially authorized by the MB to participate at the primary issuance.

#### **Authorized User of Participant:**

A user who has been appointed by a Participant to submit bids at primary issuances electronically or otherwise.

#### **Authorized Officer of PDD:**

A member of staff who has been authorized by the Superintendent of Public Debt to communicate with Participants in relation to the receipt of auction bids.



## Phase II

## Simulation of Allocation – Scenario 1

Annex - A

## Tenure-wise allocation for P2

Tenure	Total Volume Bid (Rs. Mn)	%	P2 Allocation
91	2,800	38.36	2,685
182	2,700	36.99	2,589
364	1,800	24.66	1,726
Grand Total	7,300		7,000

\* Performance = ((Total amount BV accepted by a PD) / (Total amount BV accepted at P1)) \* 100

PD	Minimum Eligibility for Phase II (%)	Volume Bid (Rs. Mn)	Eligible Amount1	Allocation 1 (temp)	Allocation 1	balance Bid Volume 2	Eligible Amount2	Allocation 2 (temp)	Allocation 2	balance Bid Volume 3	Eligible Amount3	Allocation 3 (temp)	Allocation 3	balance Bid Volume 4	Eligible Amount4	Allocation 4 (temp)	Allocation 4	balance Bid Volume 5	Eligible Amount5	Allocation 5 (temp)	Allocation 5	balance Bid Volume 6	Eligible Amount 6	Allocation 6 (temp)	Allocation 6	balance Bid Volume 7	Total Allocation (Rs. Mn)	
A	43.13	800	1,158	800	800	0	248	0	0	0	146	0	0	0	85	0	0	0	65	0	0	0	56	0	0	0	800	
B	27.25	1,090	732	732	732	268	157	157	157	112	92	92	92	20	54	20	20	0	41	0	0	0	35	0	0	0	1,000	
C	15.53	200	417	200	200	0	89	0	0	0	52	0	0	0	31	0	0	0	23	0	0	0	20	0	0	0	200	
D	14.08	700	378	378	378	322	81	81	81	241	48	48	48	193	28	28	28	165	21	21	21	144	18	18	18	126	665	
E	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	
F	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	
G	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
H	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
I	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
J	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	100	2,700	2,685	2,110	2,110	590	575	238	238	352	337	139	139	213	198	47	47	165	150	21	21	21	144	129	18	18	126	2,685

## Phase II

## Simulation of Allocation – Scenario 2

Tenure-wise allocation for P2

Tenure	Total Volume Bid (Rs. Mn)	%	P2 Allocation
91	3,800	31.67	2,771
182	3,200	26.67	2,333
364	5,000	41.67	3,646
Grand Total	12,000		8,750

\* Performance = ((Total amount BV accepted by a PD) / (Total amount BV accepted at P1)) \* 100

Primary Dealer	Minimum Eligibility for Phase II % (*)	Volume Bid (Rs. Mn)	Eligible Amount1	Allocation 1 (temp)	Allocation 1	balance Bid Volume 2	Eligible Amount2	Allocation 2 (temp)	Allocation 2	balance Bid Volume 3	Eligible Amount3	Allocation 3 (temp)	balance Bid Volume 9	Total Allocation
A	25.20	1,000	551	551	551	449	412	412	412	37	308	37	0	1,000
B	0.00	1,800	0	0	0	1,800	0	0	0	1,800	0	0	1,800	1,139
C	0.00	1,000	0	0	0	1,000	0	0	0	1,000	0	0	1,000	632
D	17.89	0	391	0	0	0	293	0	0	0	219	0	0	0
E	5.96	0	130	0	0	0	98	0	0	0	73	0	0	0
F	9.20	0	201	0	0	0	151	0	0	0	113	0	0	0
G	8.92	0	195	0	0	0	146	0	0	0	109	0	0	0
H	9.06	0	198	0	0	0	148	0	0	0	111	0	0	0
I	8.82	0	193	0	0	0	144	0	0	0	108	0	0	0
J	8.86	0	194	0	0	0	145	0	0	0	108	0	0	0
K	6.08	0	133	0	0	0	99	0	0	0	74	0	0	0
	100	3,800	2,187	551	551	3,249	1636	412	412	2,837	1224	37	2,800	2,771