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CENTRAL BANK OF SRI LANKA

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Press Release

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Transparency in Government Securities Market Further Improves

The Central Bank on 26.04.2017 mandated the primary dealers and licensed banks to use the Bloomberg electronic bond trading platform to trade repurchase transactions (repos) in government securities. Accordingly, they are required to:

- quote and trade repos between them in the trading platform, and
- report in the trading platform repos carried out over-the-counter with investors, each of Rs. 100 mn or above within 30 minutes of the completion of each repo transaction.

Accordingly, the system testing and monitoring have now been completed. The Central Bank will release the daily summary trade information of repo volumes and yield rates based on standardized tenures such as overnight, one week and two weeks shortly for the information of the market participants. This is the third stage of Bloomberg trading platform designed for trade of government securities in Sri Lanka. This trading platform first commenced on 01.08.2016 for outright trade of government securities of Rs. 50 mn or above carried out through primary dealers which was extended to licensed banks with effect from 15.09.2016. Accordingly, such outright trades reported up to 31.03.2017 amount to Rs 1,128 bn of 6,763 transactions. The Central Bank releases summary trade statistics daily to the public.

Other major policy measures in the process to further increase the transparency and market development are;

- Commencement of Cabinet approved procurement process to establish a secondary market electronic trading platform inclusive of a new Central Counter-party and Clearing and Settlement System,

- b) Approval of the Monetary Board to launch a new monthly public auction system for Treasury bonds with the underwriting facility, and
- c) Overhaul of regulatory and supervisory system with rules and principles to promote market discipline.

Accordingly, the transparency brought to the market will improve the price discovery and increase the market liquidity and outreach which will reduce the cost of borrowing in the medium term.