

INVESTING IN TREASURY SECURITIES

Knowledge Sharing during UIBFS' Banking and
Financial Awareness Month

Tuesday November 26, 2024



BANK OF UGANDA

MISSION To Promote Price Stability and a Sound Financial System in
Support of Socio-economic Transformation in Uganda.

Agenda

Treasury Securities-What are they?

Operational Modalities

A case for Investing

Concluding remarks

Q & A



Treasury Securities-What are they?

- Treasury securities = Government securities = Treasury Bills & Treasury Bonds

Debt instruments by which government borrows funds from the public, guaranteeing paying back

- Treasury Bills 91, 182 and 364 days

Short term, place funds on your depository account for **not** more than 1 year, currently

- Treasury Bonds 2, 3, 5, 10, 15, 20 years

Long term, more than 1-year investments on your depository account



2. Operational Modalities

- ❑ Open a depository account at BOU (Central Securities Depository (CSD) Account)



1. Client opens an account (current or savings) with any commercial bank.
2. Client fills out and submits simplified 2 page CSD account opening form to the commercial bank. The commercial bank opens the client's accounts on behalf of the Bank of Uganda and the account is held on the CSD at the BOU.



Operational modalities... (2)

Begin investing through any of primary or secondary market



Primary Market/ Auctions—Government securities being issued for the first time (initial public offering, IPO) to the public



Investing through IPOs follows a **Calendar** (on the BoU Website)

T-Bills , every 2 weeks (14 days)

T-Bonds, every month (28 days)



Public invitation to tender is sent to the Press



To place orders/bids in IPO, investors complete **CSD Form 2** and deliver to their commercial bank



Secondary Market--Investors in government securities will either hold them to maturity or sell them to other investors on the secondary market



You can **invest** or **dis-invest** (buy/sale) in T-bill/T-bond asset **any working day** through any bank in the secondary market



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Operational modalities... (3)

...investing through any of **primary** or **secondary** market

Primary auctions (Calendared!)

Minimum bid (investable) amount is UGX100,000

Auction bids between **UGX100,000** and **UGX 200 million** succeed automatically (Non-Competitive or *price-takers*).

Auction bids above **UGX 200 million** must compete (**Competitive bids**); these bids/investors determine the interest rates (**price-makers**)



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Operational modalities... (4)

...investing through any of primary or secondary market

Secondary market (Any business day!)

Still the minimum order (investable) amount is UGX100,000

Secondary market happens at competitive rates; investor agrees price & amount with their bankers to sell or buy (*most recently issued Vs. old bonds*)

Actual secondary market trades information (BOU website) is critical for investors!

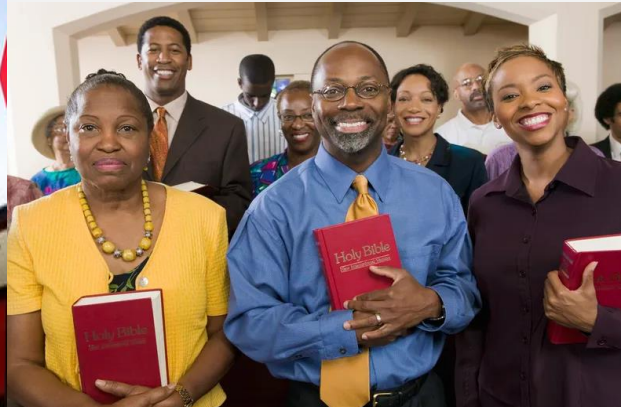


Operational Modalities... (5)

Who can invest?



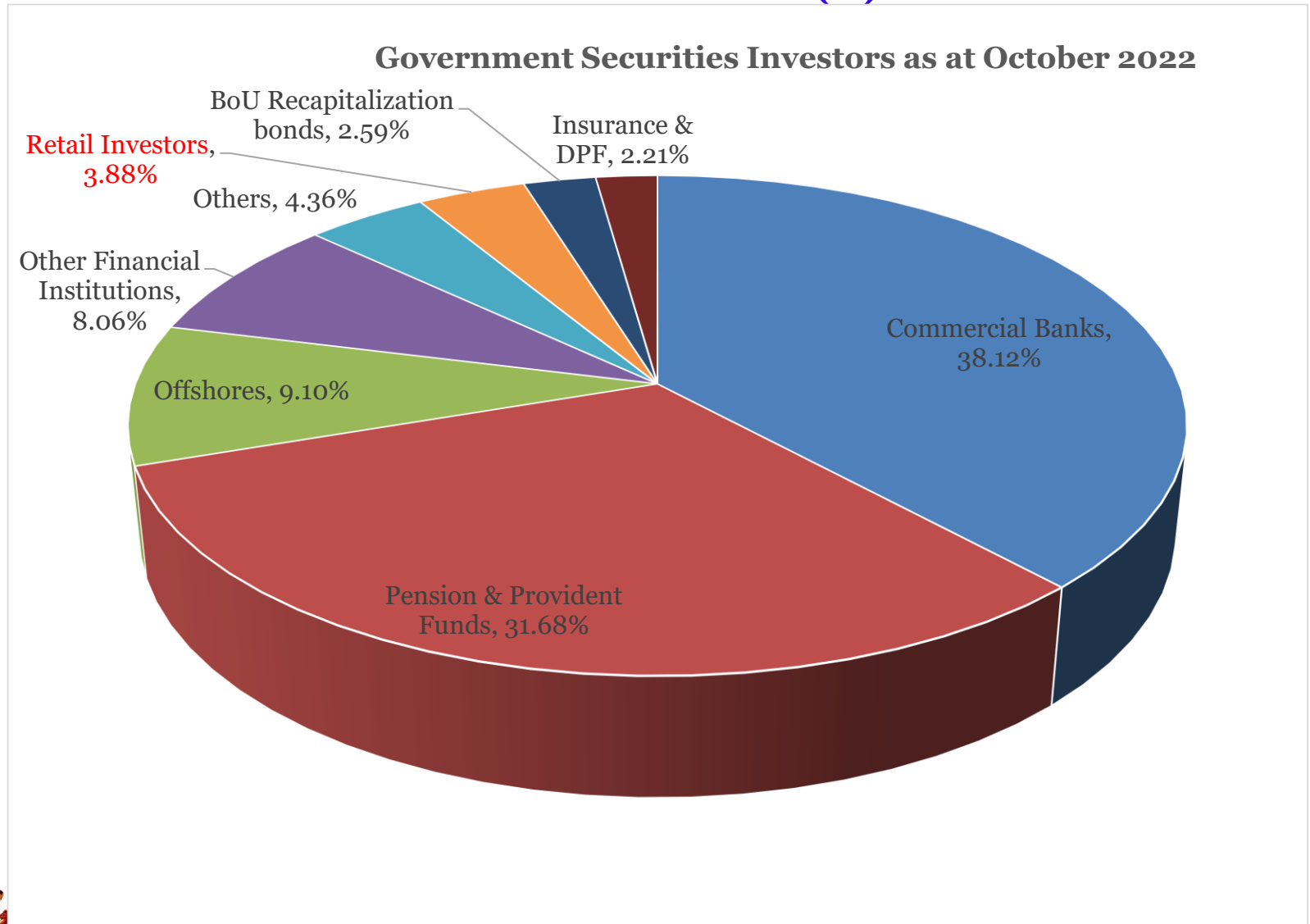
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Operational Modalities... (6)

Who can invest?—(b)



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Case for Investing in Treasury Securities

Market-determined interest rates Competitive yields



Treasury Securities Indicative Yields (Interest Rates) as of 11 October 2024

Tenure	Gross Yields per ANNUM	Indicative Income per ANNUM on UGX100 Million	
		Gross Income	After-Tax Income
3Months	10.49%	10,488,000	8,390,400
6M	12.96%	12,956,000	10,364,800
1Y	14.31%	14,313,000	11,450,400
2Y	15.15%	15,153,000	12,122,400
3Y	15.32%	15,319,000	12,255,200
5Y	15.52%	15,519,000	12,415,200
10Y	15.89%	15,892,000	14,302,800
15Y	16.07%	16,067,000	14,460,300
20Years	16.26%	16,259,000	14,633,100

Withholding tax rate on interest income: **10% (tenures of 10 years and longer)**; 20% otherwise.



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A Case for Investing(2)



Diversification benefits: investor's overall portfolio risk is reduced significantly (“**Never put all your eggs in one basket**”)



Assured **regular flow of income** (**fixed** cash flows from interest payments)



The investment can be used as **collateral** to obtain loanable funds in BOU-supervised institutions



A Case for Investing(3)

Limited capital market options but few money markets alternatives...Savings Accounts & Fixed Deposits

UGANDA MARKET: INTEREST RATES AS OF AUGUST 2024	
Central Bank Rate (CBR)	10.00
Commercial Banks' Rates (Weighted Average)	
UGX Deposit Rates (WARD)	2.71
Demand deposits	1.92
Savings deposits	2.94
Time Deposits (7-12 months)	10.77
UGX Lending Rates	19.06
USD Deposit Rates (WARD)	1.52
USD Demand deposits	1.23
USD Savings deposits	1.97
USD Time Fixed Deposits	5.04
USD Lending Rates	8.66



Concluding Remarks....

Uganda Government Securities provide an opportunity for Ugandans to invest in assets that are

-Hassle-free (vs. apartments, Kikuubo, etc)

-Low investment capital requiring

-Liquid (as-good-as-cash)

-High-income-generating

-Tax efficient

-Safe

-Risks (market, credit) can generally be managed

Nonetheless, always get as much knowledge as possible about any investment product/service!





Q & A



WWW.BOU.OR.UG/BOU/BOUWEBSITE/FINANCIALMARKETS/



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