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## WHY YOU SHOULD INVEST IN TREASURY BILLS AND BONDS.

Seeking a safe and reliable way to grow your savings while supporting the Ugandan economy? Look no further than Treasury bills and bonds, issued by Bank of Uganda (BoU) on behalf of government.

Treasury bills, or T-bills, are short-term government instruments with maturities of less than one year. The maturities include: 91-days, 182-days and 364-days. Think of it like lending money to the government for a short while. Unlike a regular loan where you'd receive interest payments, with T-bills, the government sells them at a discount to their face value. This means you pay less than the bill's worth upfront, but when it matures, you get the full (face) value back. The difference between the purchase price and the face value is your return on investment.

Treasury bonds (T-bonds) are longer-term investments, with maturities ranging from 2 to 20 years. They provide regular (every six months) interest payments (called coupons) throughout their lifespan, and your original investment is returned when they mature.

It is important to note that investments in T-bills and T-bonds attract a withholding tax on the interest earned. However, T-bonds with a maturity exceeding 10 years attract a lower withholding tax rate. It's crucial to discuss these tax obligations with your bank or a financial advisor before investing to ensure you fully understand your potential returns.

### Investing in T-bills and T-bonds: Your Options

There are two main ways to invest in treasury securities. The primary market is where the BoU holds auctions to issue new securities. You can participate directly in the primary market, even with investments under 200,000,000 Ugandan shillings by simply placing your order through any commercial bank. However, a key limitation is that these auctions happen on specific dates: twice a month for treasury bills and once a month for treasury bonds. This means you may need to wait for an auction date, keeping your money idle in the meantime. Additionally, there's no guarantee that your desired T-bill or T-bond will be available on the specific auction date you're targeting.

Alternatively, the secondary market allows investors to buy and sell existing T-bills and T-bonds amongst themselves through any bank of your choice. This market offers more flexibility as you're not locked into specific auction dates. Additionally, with T-bonds specifically, you're not limited to only those T-bonds sold on specific auction dates, providing wider choice in your investment.

Buying directly from the government in the primary market often offers the best interest rates, but individual participation can be more complex if the investment amount exceeds 200,000,000 Uganda shillings and limited by the auction schedule. The secondary market provides greater flexibility and the potential to spread investments for more frequent income, but interest rates might be slightly lower.

### Why Treasury Securities?

Backed by the government of Uganda, they are seen as low-risk investments with a reasonably high return on investment. T-bonds provide a steady stream of income, and you can even start with as little as 100,000 Ugandan shillings. Further, both T-bills and T-bonds can often be sold on the secondary market if you need your money earlier.

Of course, investing comes with certain risks. Interest rates can fluctuate, inflation may impact your returns, and other opportunities might offer higher potential returns (though usually with much higher risk).

### Your Investment Journey

To get started, you'll need a savings or similar account at a commercial bank in Uganda. Next, work with your bank to open a Central Securities Depository (CSD) account with the Bank of Uganda. Once you have this in place, decide whether T-bills or T-bonds best suit your goals and whether you want to participate in the primary or secondary market. With this clarity, contact your bank to place your investment order! It's crucial to note that your account with the commercial bank must have funds by the time you place your order. This is such that if your participation in the primary or secondary market is successful, your bank account will automatically be debited by your bank with the cost of investment you have opted for.

Don't let your savings sit dormant! Explore the benefits of treasury bills and bonds. Contact your bank or an investment advisor to learn more, discuss the nuances of the primary and secondary markets, along with applicable taxes, and build a strategy that supports your financial goals.

### Finding More Information

The Bank of Uganda's website [www.bou.or.ug](http://www.bou.or.ug) offers valuable resources to guide your investment decisions. Visit the "Financial Markets" tab to find the auction calendar, auction results, and additional information on investing in treasury securities.



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