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CENTRAL BANK OF SRI LANKA

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# Press Release

**Issued By** Secretary to the Monetary Board

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## Statement of the Monetary Board on Treasury Bond Auctions

This refers to the recent articles and discussions relating to the Treasury bond auctions that took place during the latter part of March 2016, where allegations of lack of transparency were made with regard to the process that was followed. Attention of the public is drawn to the fact that the process followed was similar to what has been in practice since February 2015 when a complete market based mechanism was introduced in auctioning of Treasury bills and bonds.

The Monetary Board noted the large resource needs of the Government. Further, in the context of Monetary Policy actions, mainly the upward adjustment of the Statutory Reserve Requirement (SRR) at the beginning of the year and the subsequent upward adjustment of the policy interest rates, had resulted in an increase in yield for Treasury bills and Treasury bonds.

Given the existing and emerging financial needs of the Government, the Monetary Board has recommended;

- 1) The relevant management team:
  - a. to hold pre-bid meetings with all the Primary Dealers to share information on market developments and to have a clearly defined auction calendar,
  - b. to examine the international best practices with respect to volumes advertised and accepted at public auctions and propose to the Board as to how the Central Bank should adopt such practices, and
- 2) The Employees Provident Fund to actively participate at the Primary Auctions.