

Bond Buyback

May 18, 2024 • vajiramandravi.com



About Bond Buyback:

- It is a process whereby the **central government and state governments** buy back their existing securities, by redeeming them prematurely, from the holders.
- Bond buybacks are **liability management** tools widely used in government securities markets to manage **refinancing and liquidity risks**.
- It enables issuers to retire an outstanding debt before its maturity date against a cash payment.
- The objectives of buyback can be
 - Reduction of cost (by buying back high coupon securities),
 - Reduction in the number of outstanding securities and improving liquidity in the G-Secs market (by buying back illiquid securities) and
 - Infusion of liquidity in the system.

What is a Bond?

- It is a **debt instrument** in which an investor loans money to an entity (typically corporate or government) which borrows the funds **for a defined period of time** at a variable or fixed interest rate.
 - Bonds are used by **companies, municipalities, states and sovereign governments** to raise money to finance a variety of projects and activities. Owners of bonds are debt holders, or creditors, of the issuer.
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Q1: What is Securities and Exchange Board of India (SEBI)?

It is a statutory regulatory body that oversees the securities market in India. It operates under the SEBI Act of 1992. It is responsible for issuing regulations for various participants in the securities market, such as listed companies, brokers, mutual funds, and rating agencies.

Source: RBI announces reduction in the quantum of the government's treasury bill sales

Source: <https://vajiramandravi.com/current-affairs/bond-buyback/>

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