



# TREASURY BILLS

## What are Treasury Bills?

- A treasury bill (T-Bills) is a paperless short-term borrowing instrument issued by the Government through the Central Bank of Kenya (CBK) to raise money on short term basis (a period of up to one year). Treasury bills are issued in maturities of 91, 182 and 364 days.
- Treasury bills are sold at a discounted price to reflect investor's return and redeemed at face (par) value.
- They are issued every week by the Central Bank and the minimum investment amount is KES 100,000. Any additional amounts must be in multiples of KES 50,000.
- Interest paid out is annualized i.e. it is calculated over 12 months and multiplied by the number of days of the T-bill.

## Why Invest in Treasury Bills?

- Security: T-Bills are considered low risk investments
- Readily available: T-Bills are auctioned weekly providing consistent investment opportunities
- Short-term: You will receive your returns within three, six or 12 months
- Attractive Returns: They offer competitive returns.

**Tip:** T-Bills are short term securities; hence they are more suited as a tool to accumulate capital for projects/longer-term investments. They are a way to stash away the money you do not currently require to avoid the temptation of using it for an unintended purposes.

## Are Treasury Bills Subject to Withholding Tax?

Yes. Treasury bills attract a 15% withholding tax which is imposed on the discount.

## How do I Get Started with Treasury Bills?

- Open a CDS Account with CBK: You will need to have a bank account with a Kenyan commercial bank and fill out a mandate card.
- Select the T-Bill you are interested and complete the Treasury Bill application form: Every week, the 91 days, 182 days and 364 days T-Bill are on offer. There are two options for selecting the rate that will determine your return on maturity.

### 1. Interest/ Competitive Rates

Competitive bidders (investors who quote a price or interest rate) MUST indicate the desired price/yield and usually monitor and understand the movements in interest rates and market conditions. However, such bids may either be accepted or rejected depending on interest rates and liquidity levels. There is no maximum amount per bid per investor for competitive bidders.

### 2. Non-competitive/average Rate

Non-competitive bidders, only indicate “Average or Noncompetitive” in the place of offer price per KES 100 in the application forms. Since this category is a price-taker of market outcome (successful weighted average rate/price), their placement is guaranteed. However, maximum amount one can invest per CDS account per issue/tenor is KES 20 Million.

- Get the Auction Results: Treasury Bill auction results are published by CBK and investors will need to establish if their bids were successful and make payment.
- Payment- The payment period for an auction typically closes on the following Monday at 2pm. Investors can submit their payments, in the amounts specified when they contact the Central Bank, through cash or banker’s cheques for amounts under KShs. 1 million and through a KEPSS transfer for larger amounts.

Please note that successful applicants who fail to submit payments within the payment period can be barred from future investment in government securities.

## How Can Genghis Capital Assist with T-Bill Trading?

If you have a CDS account with Genghis Capital, we can purchase T-Bills on your behalf - Taking the hustle of doing the applications and payments. Talk to us today to get started.