Dated Government Securities

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In News

Dated G-Secs are securities which carry a fixed or floating coupon (interest rate) which is **paid on the face value, on a half-yearly basis.** Generally, the tenor of dated securities ranges from **5 years to 40 years.** Securities are issued by the government (**center** or state) for mobilizing funds.

Features of Dated Government Securities

- The remuneration for buying the dated securities is the **interest payment which is called a coupon.** The interest payment is fixed and is a **percentage of the face value of the security.**
- Securities are held **mostly by commercial banks (in the form of SLR) and other financial institutions.** The government securities are **tradable in the stock market.**
- **On behalf of the government, the RBI issues the securities, pays interest and gives back money at the maturity period.**
- **RBI's public debt office** manages all these activities. The RBI sells securities through auction through the Negotiated Dealing System (NDS) and they are bought by institutions known as primary dealers (Primary dealers are mostly commercial banks, insurance companies etc).
- Dated securities are long term instruments issued by the government for borrowing. Short term instruments are treasury bills that have a maturity of less than one year (91 days, 182 days and 364 days). For treasury bills, there are no interest payments but the bill is obtained at a discount.

Types of Dated Government Securities

- **Zero Coupon Bonds:** Bonds issued at discount and repaid at face value.

- **Fixed Rate Bonds:** These are bonds on which the coupon rate is fixed for the entire life (i.e. till maturity) of the bond.
- **Floating Rate Bonds:** They are securities which do not have a fixed coupon rate. Instead it has a variable coupon rate which is re-set at pre-announced intervals (say, every six months or one year).
- **Capital Indexed Bonds:** These are bonds, the principal of which is linked to an accepted index of inflation with a view to protecting the principal amount of the investors from inflation.
- **Inflation Indexed Bonds (IIBs):** IIBs are bonds wherein both coupon flows and principal amounts are protected against inflation. The inflation index used in IIBs may be Wholesale Price Index (WPI) or Consumer Price Index (CPI).
- **Bonds with Call/ Put Options:** Bonds can also be issued with features of optionality wherein the issuer can have the option to buy-back (call option) or the investor can have the option to sell the bond (put option) to the issuer during the currency of the bond.
- **Sovereign Gold Bond (SGB):** SGBs are unique instruments, prices of which are linked to commodity price viz Gold.