

NDBIB – CRISIL Expand Fixed-Income Index Portfolio for Sri Lanka

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Abstract: NDB Capital Holdings plc and the global analytics company, CRISIL Ltd have announced the launch of 9 new fixed income indices in Sri Lanka.

NDB Capital Holdings PLC and CRISIL Ltd have announced the launch of 9 new fixed-income indices in Sri Lanka. The new series of indices complements the existing series of 4 indices introduced in 2013.

Developed and maintained by CRISIL, the new series of indices, include three indices on the repo market, two composite indices for treasury and repo, and four dollar versions of existing T-Bill and T-Bond indices.

CRISIL, a global analytics company driven by its mission of making markets function better, is India's foremost provider of ratings, data, research, analytics and solutions.

In 2013, together with NDB Capital Holdings Limited, CRISIL introduced the only fixed income indices to Sri Lanka's fixed income market, the NDBIB-CRISIL 91 day T-Bill Index, NDBIB-CRISIL 364 day T-Bill Index, NDBIB-CRISIL 3 year T-Bond Index and the NDBIB-CRISIL 5 year T-Bond Index.

The new indices will enhance the range of the existing series of indices. The three new repo indices, NDBIB-CRISIL Overnight Repo Index, NDBIB-CRISIL 1 Week Repo Index and the NDBIB-CRISIL 1 Month Repo Index will provide some exposure to the repo segment and would address the short term fixed income market performance.

The two composite indices NDBIB-CRISIL Composite Government Debt Index and the NDBIB-CRISIL Composite Repo Index seeks to capture the performance of a portfolio invested in the Government T-Bill, T-Bonds and repos. The composite indices will help in performance evaluation of gilt-edged funds, which invest in Treasury bills and bonds across maturity. The dollar-denominated versions of the original four Treasury indices would provide dollar-adjusted returns for global investors.

Co-branded using the credentials of NDB Investment Bank Ltd, Sri Lanka's leading investment bank and a fully owned subsidiary of NDB Capital Holdings PLC, and CRISIL, the indices are expected to provide further reference for debt capital market participants and propagate government securities as an attractive investment opportunity in Sri Lanka.

The government securities market has emerged as the largest and the most liquid market for fixed income securities in Sri Lanka, with total outstanding treasuries amounting to approximately LKR 4 trillion. Most market participants, including banks, insurance companies, funds and retailers participate in the government securities market. With the government allowing foreign participation in rupee denominated treasury securities, there has been a significantly high demand from foreign investors for treasury securities, making the case for measurement of performance of government securities.

Nagarajan Narasimhan, Senior Director, CRISIL Research, said, "Our new set provides investors with credible and independent risk-return measures at the shorter end of the government securities market, alongside composites for broader market representation. That should further the cause of developing the debt market in Sri Lanka."

The new indices, will facilitate the launch of index-tracking funds, which could benefit the government securities market in the country. In addition, the indices will enable the construction of derivatives linked to them.

Vajira Kulatilaka, Director of NDBIB and CEO of NDB Capital Holdings Limited, stated that, "The new NDBIB CRISIL indices launched would cover a broader spectrum of fixed income securities available to investors and also track dollarised returns in treasury securities. We believe that this would be pivotal for structuring and pricing securities in the market and also be of interest to foreign investors, particularly at a juncture where there is growing interest from foreigners in relation to Sri Lankan financial markets."

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