Government Securities

- **Definition**

Government securities are debt instruments issued by a national government as means of borrowing money. Bond holders receive interest payments based on the specified coupon rate, and principal payment, which is a repayment of the face value of the bond at maturity.

- **Uses:**

Government bonds offer:

- a steady income through a fixed rate of interest paid
- a fixed date of maturity
- a very low-risk investment if you hold the bonds until maturity
- a degree of capital protection with predictable returns
- added diversification if you have a portfolio of higher-risk investments

- **Risk**

Government securities are usually considered risk-free because the government can raise taxes to repay the interest and principal. There are some cases of countries defaulting on their debt, but in general this is very rare. As a result of the low risk, government securities pay relatively low interest.

- **Type of bonds**

In Bulgaria, currently, there are a few groups of government securities:

- Government securities for financing the internal deficit:
  - Treasury Bills with maturity within one year
  - Treasury Bills with maturity within 5 years
  - Treasury Bonds with maturity of 5 years or more
- Government bonds for financing structural deficits in the financial sector:
  - ZUNK bonds (long term bonds maturing in 2019, issued in 1994 to service pre-1990 bad debt of government entities)
  - Securities issued in accordance with the Law for Protection of Deposits (3 year maturity; interest of LIBOR +2%)
- Global Bonds (newly issued bonds that replaced the Brady bonds; maturity in 2015; denomination in EUR and USD; fixed interest of 8.5%)