

ISSUANCE OF DOMESTIC DOLLAR BONDS (DDB)

FLASH NOTE

SRI LANKA TO ISSUE DOMESTIC DOLLAR BONDS IN DECEMBER 2025

Overview

Sri Lanka is set to issue its first post default foreign currency denominated treasury instrument ([Domestic Dollar Bonds](#)) through the newly established Public Debt Management Office (PDMO) in December 2025. The auction size is set at USD 50.0Mn while the maturity periods are said to be 1-year, 2-years and 3-years. A key feature of this issuance is that the eligible investors have been limited to Locally Incorporated Licensed Commercial Banks (LCBs).

Domestic Dollar Bonds – Key Features:

Issuer:	Democratic Socialist Republic of Sri Lanka
Issuing Office:	Public Debt Management Office, Ministry of Finance
Currency:	USD
Size:	USD 50.0Mn
Maturity Periods:	1-year, 2-years and 3-years
Interest Rate:	Fixed rate determined through competitive bidding for all maturities
Interest Payments:	Semi – annual
Period of Subscription:	1 st – 3 rd December 2025
Date of Settlement:	10 th December 2025
Minimum Investment:	USD 1,000,000 and multiples of USD 100,000
Eligible Investors:	Locally Incorporated Licensed Commercial Banks
Tax:	Subject to the applicable Tax Laws in Sri Lanka

Domestic Dollar Bonds – Implications:

Financial Sector:

- ✓ DDBs would facilitate domestic commercial banks a channel to deploy excess USD funds locally, rather than keeping them idle or investing abroad.
- ✓ This would mitigate credit risk otherwise associated with USD denominated lending, while providing a systematic mechanism for LCBs to improve exposure to sovereign instruments.
- ✓ The bonds carry competitive, dollar-denominated rates set through bidding, which in turn could potentially produce steady, higher returns.

Macroeconomic:

- ✓ DDBs would enable authorities to strategically utilize the dollar liquidity that is already within the domestic financial system rather than relying on international markets.
- ✓ Moreover, it would propel efficient accumulation of Sri Lanka's Foreign Reserves which currently appear to be rather stagnant.

Fiscal & Public Debt Management:

- ✓ DDBs would emerge particularly pivotal for the upcoming year of 2026 as foreign debt repayments for the year stand at approximately USD 2.0Bn.



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