

# Buying and selling eAGBs

Course Module 5



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# Topic 1: Buying on ASX

You can only buy eAGBs on ASX through a licensed ASX broker. **Do not buy** eAGBs from any company or person that offers them via email or as a recommendation from a comparison investment website – **these are a scam.**

Only buy eAGBs by approaching a licensed ASX approved broker. If you believe you are a victim of this scam or you have received any calls or emails about this or a similar scam, please contact the [Australian Securities and Investment Commission \(ASIC\)](#). You can also make a report to the Australian Cyber Security Centre at [ReportCyber](#).

Buying and selling eAGBs is straightforward. If you have bought and sold shares before the process is the same. You place your order with your broker who executes it on market. Brokerage is charged by the broker on the trade.

As with shares, settlement of the trade takes place two business days after the transaction (T+2).

All holdings of eAGBs are broker-sponsored so you will receive a CHESS statement recording your holding, just as you do when you buy shares on-market. eAGBs cannot be issuer-sponsored.

Who do you place an eAGB buy order with?	Stockbroker
How many days does it take for settlement of an eAGB trade to occur	2 business days
What will you receive as a record of your holding?	CHESS settlement

# Getting your money back

## Redemption at maturity

Redemption takes place at maturity. If you hold an eTIB on the final record date, prior to the maturity date, you will receive payment of the face value along with the final coupon. This is done automatically.

If you hold an eTIB on the final record date, prior to the maturity date, you will receive payment of the CPI adjusted face value along with the final coupon. This is done automatically.

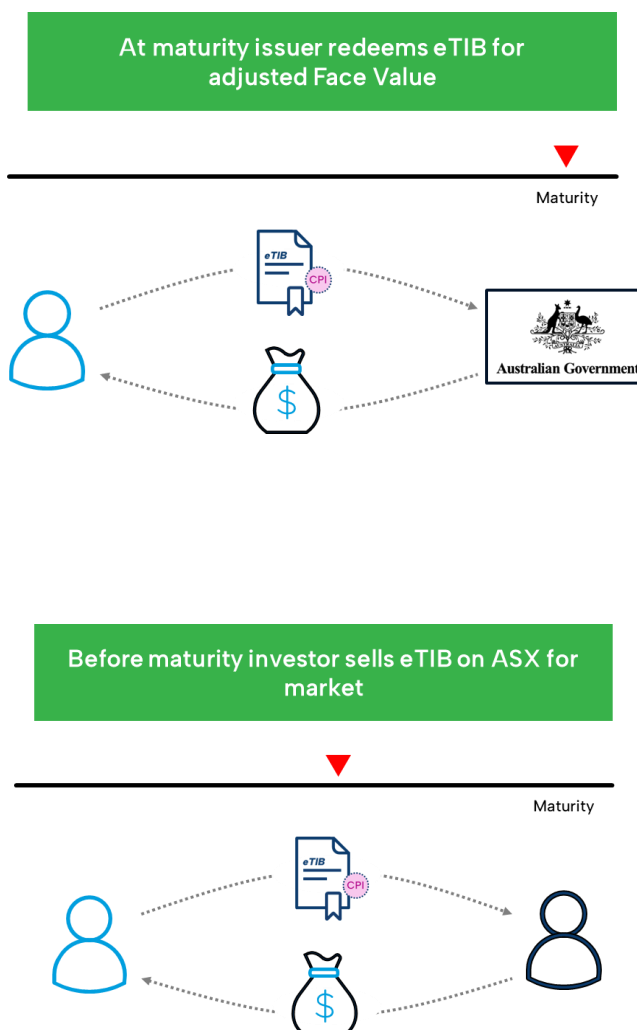
Coupon payments and redemptions at maturity are generally made via electronic funds transfer into an Australian dollar bank account with a financial institution in Australia. Australian, United States, Great Britain, New Zealand and Canadian resident investors must nominate a valid Australian bank account; otherwise payments will be withheld until such time as a valid bank account is nominated. Payments to investors that reside outside the above-mentioned jurisdictions will be made by paper cheque where a valid bank account has not been nominated.

## Selling on ASX before maturity

You can sell your eAGB at any time before maturity. The process for selling eAGBs is the same as selling shares.

You cannot short-sell eAGBs. In other words, you cannot sell an eAGB that you do not already own.

Depending on the current market price, you may receive more or less than face value.



# Keeping track of your holdings and payments

Once you have purchased eAGBs you can keep track of your holdings and coupon payments in the following ways:

- From the registry (Computershare) you can review an online record of your payment history. You can also see an online record of your current holdings. Computershare will provide you with the details on how to access this information.
- Your broker will require a bank account for payment of your income; this is passed onto the registry who act as the paying agent. You should regularly check that your bank account details are up to date with both your broker and the registry.
- If you either buy or sell during a month, you will also receive a CHES Holding Statement which itemises your current holding and any changes to this holding that have occurred during the month.

Keeping track of your payments and holdings	Registry/broker
Online coupon payment history record	Registry and broker
Online holding record	Registry and broker
Bank account details for your coupon payment	Registry and broker
Bank account details for repayment at redemption	Registry and broker
Address details for posting/emailing your CHES statement	Broker only

## How the exchange-traded Australian Government Bond (eAGB) market and the underlying wholesale Australian Government Bond (AGB) markets are linked

Australian Government Bonds (AGBs) are not traded on exchange and are typically only issued to institutional and other large investors as they are traded in large parcels. Secondary trading of AGBs occurs in wholesale markets which is very active and liquid.

eAGBs are electronically traded and settled through ASX in small or large parcels are therefore accessible to a wider range of investors.

Prices in the wholesale AGB market determine prices in the eAGB market.

The holder of an eAGB has beneficial ownership of a AGB in the form of a CHESS Depositary Interest (CDI).

CDIs effectively link the wholesale and retail markets and enable retail investors to participate in the market. Because the CDI represents an interest in the underlying AGB, the retail price should never move too far from the price in the wholesale market.

Further information about CDIs generally can be obtained on [the ASX website](#).

## Market makers assist in liquidity and price discovery

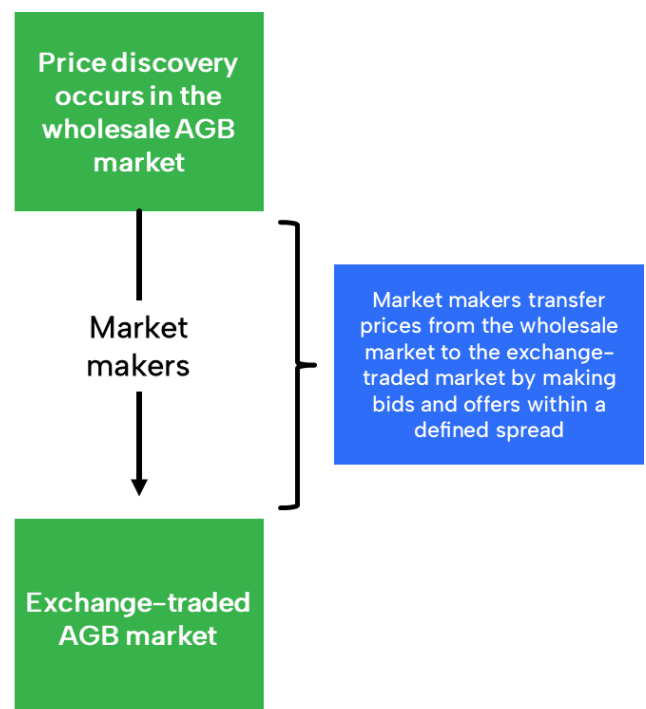
ASX have appointed market makers to access the liquidity in the wholesale market and provide bid and offer prices in all eAGBs.

Market makers are obligated to quote a minimum volume of eAGBs with a maximum spread between the bid and offer price that is in line with the price which AGBs trade in the wholesale market.

Having market makers helps provide liquidity to the market in eAGBs and ensures that the prices quoted in that market are highly competitive.

Market makers are not required to make prices during certain times such as during important data releases, or when the wholesale bond market is closed.

Further information on the market maker arrangements for eAGBs can be obtained on the [ASX website](#).



## Topic 2: Price information

### Where can I find market prices?

eAGBs are traded on a price basis (not a yield basis).

If you are planning to buy eAGBs, you will want to know the market price.

You can get market prices from the ASX website, your broker and a range of other sources.

Although trading is done on a market price basis, you should also be aware of and considering the yield to maturity of the eAGB as the basis of the eAGB's relative value when compared against other eAGBs with differing prices, maturities and coupon rates.

Yield to maturity for any given eAGB can be calculated using [ASX's online Bond Calculator tool](#).

### Price information on the ASX website

It's a good idea once you've bought your securities to check on their value every so often.

You can find price information about eAGBs on the ASX website or other ASX market information providers.

Relevant market information includes:

- last traded price,
- highest price offered by a buyer,
- lowest price offered by a seller,
- coupon the security is paying,
- maturity date,
- payment frequency per annum,
- next ex-date, and
- yield to maturity.

## ASX codes for eAGBs

Each eAGB series quoted on ASX has a unique code comprising six characters.

The code convention for eAGBs is XXXMY.

The first three characters identify whether it is an exchange-traded Treasury Bond (eTB) or an exchange-traded Treasury Indexed Bond.

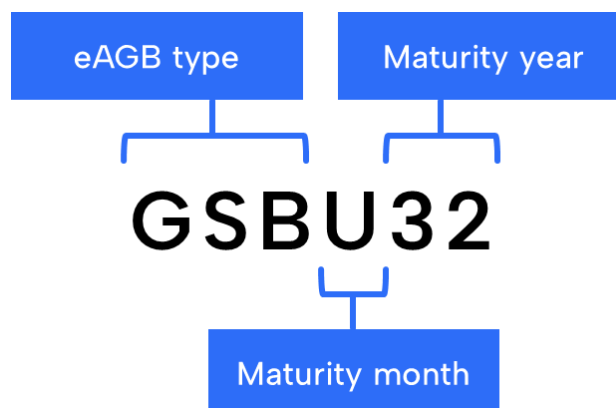
- eTBs use the code GSB.
- eTIBs use the code GSI.

The fourth character identifies the month the AGB matures (e.g. January = A or B, February = C or D, March = E or F, etc...).

The fifth and sixth characters indicate the year the AGB matures e.g. 2032 = 32

For example:

- GSB~~U~~32 is an eTB expiring November 2032
- GSIO35 is an eTIB expiring August 2035



## Where to find the coupon rate and yield to maturity

### Coupon

The coupon rate is the interest income the eAGB pays annually, expressed as a percentage of the face value of the security. The coupon rate, for any given eAGB can be found on [the ASX website](#).

### Yield to maturity (YTM)

YTM is generally regarded as the most important measure of return.

YTM gives your overall return if you hold the eAGB until maturity. It incorporates:

- regular income payments,
- capital gain/loss – any difference between the price you pay for the AGB and the face value to be repaid at maturity, and
- assumes coupons are re-invested at the same rate as the YTM.

Yield to maturity for any given eAGB can be calculated using [ASX's online Bond Calculator tool](#)

# Topic 3: Information about your Exchange-traded AGBs

## Information Statement and Term Sheets

The primary source of information about eAGBs is the Investor Information Statement and Term Sheets which are available on the Australian Government Bonds website [www.australiangovernmentbonds.gov.au](http://www.australiangovernmentbonds.gov.au) or on the ASX website.

Each type of eAGB (*eTB*, *eTIB*) has its own Investor Information Statement which includes specific information relevant to that type, such as:

- detailed terms and conditions,
- information about the CHESS settlement mechanism,
- risks and taxation information.

The Term Sheet provides details on each eAGB Series including coupon rate, coupon payment dates and maturity date.

## Keeping up to date with important announcements

Market announcements help you keep up to date with important information from companies and issuers you are interested in. The ASX website is the primary source for market announcements.

To find announcements, use the [ASX market announcement search platform](#) and type in first three characters for the security, either 'GSB' for eTBs or 'GSI' for eTIBs.

## Getting advice and stockbroker research

Only buy eAGBs by approaching a licensed ASX approved broker.

Getting investment advice from a stockbroker can be prudent.

Some brokers will have a 'fixed income' department and provide research on bonds and the interest rate market, along with yield to maturity calculations on bonds on issue.

If you want advice on eAGBs some brokers will have stronger capabilities than others – you should enquire if your broker's expertise fits your needs.

You can only buy eAGBs on the Australian Securities Exchange (ASX) through a licensed ASX broker.

## Taxation information

It is important to consider the taxation aspects of investing in eAGBs, for example the tax that may apply to income from eAGBs, and to any gain or loss you make on redemption or sale.

The Investor Information Statements for eAGBs provide general taxation information.

You should also consult your taxation adviser, who can give you advice that takes into account your own financial circumstances.

[The Australian Taxation Office](#) website is another source of information.



# Summary

- You can only buy eAGBs on the Australian Securities Exchange (ASX) through a licensed ASX broker. Do not buy eAGBs from any company or person that offers them via email or as a recommendation from a comparison investment website – these are a scam.
- Buying and selling eAGBs is straightforward. If you have bought and sold shares before the process is the same. You place your order with your ASX broker who executes it on market. Your holdings are registered in CHESS.
- Income and redemption payments are generally made by direct debit to your nominated bank account. You can find information on prices, yields, and important announcements on the ASX website. It is important that you read the Information Statements and Term Sheets provided by the Australian Government.
- Each series of Exchange-traded AGBs can be identified by their ASX code. The code convention for Exchange-traded AGBs is XXXMY, where:
  - XXX = type of AGB – eTBs use the code GSB and eTIBs use the code GSI.
  - M = expiry month e.g. January = A or B, February = C or D, March = E or F, etc...
  - YY = expiry year, e.g. 2032 = 32