



ECFH Financially Speaking

East Caribbean Financial Holding Company Limited

This week's term relates to one of the ways in which governments finance their national projects and programmes: **Debentures**

Debentures

A debenture is a document that either creates a debt or acknowledges it. The term is used in finance for a medium to long term debt (from 90 days to 10 years). Debentures are used by governments and large corporations to raise funds. This type of debt is preferred as its issue is not backed by any assets. Its value is usually based on the goodwill of the corporation and in the case of a government, its ability to repay its debts. An example of debentures issued by governments is treasury bonds (T –bonds) or treasury bills (T-Bills).

What does this mean for you?

Many governments and the Government of Saint Lucia is no exception, use debentures to raise funds for its projects. The risk on these investments is usually low as government cannot afford to renege on its promise to pay as this would have a negative impact on its ability to raise funds in the future. So if you are looking to invest, whether short or long term, debentures are a good investment as they provide low risk and attractive interest rates.