A Treasury Bill with 75 days to maturity has a face value of $50,000. If this Bill is selling for $49,400, what is the yield on a bank discount basis?

A. 1.20%  B. 3.90%  C. 4.96%  D. 5.76%  E. 5.89%

Solution.
The effective discount rate earned over the 75 days of the Bill’s existence is
\[
\frac{50,000 - 49,400}{50,000} = 1.20\%.
\]
To obtain the bank discount yield we annualize this on the simple discount basis with 360 days in a year, i.e., using the Banker’s Rule, obtaining:
\[
1.20\% \cdot \frac{360}{75} = 5.76\%.
\]
Answer D.