



South African Reserve Bank

Operational Notice

Financial Markets Department

Money Market Operations

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1. Background

- 1.1 This Operational Notice applies to the Master Repurchase Agreement entered into between the South African Reserve Bank (SARB) and its counterparties and the 2011 Global Master Repurchase Agreement (GMRA) to be entered into between the SARB and its counterparties, as amended from time to time (“each respectively referred to as the Agreement). This Operational Notice (Notice) forms part of the Agreement and clarifies the procedures which govern participation in the SARB open-market operations. All transactions referred to in this Notice are governed by the Agreement and the Agreement must be signed by all participants who conclude repurchase and reverse repurchase transactions with the SARB. In the event of any conflict between this Notice and the Agreement, the Notice shall prevail in respect of the specific transaction or transactions. All capitalised terms used in this Notice and not defined will have a meaning given to them in the Agreement.
- 1.2 The repurchase/reverse repurchase market involves three very similar types of transactions, namely the classic (or American style) repurchase transaction, buy/sell-backs and Securities lending transactions. Although the vast majority of transactions referred to as “repos” in the domestic market are in reality buy/sell-backs (or carries), the repurchase/reverse repurchase agreements entered into between the SARB and its counterparties will be conducted and booked on the basis of a classic money-market repo where the cash taker (i.e. supplier or seller of the Securities) retains the right to any coupon payments. If a coupon payment relating to the stock involved in the specific repurchase transaction is made to the cash provider (i.e. buyer of the Securities), such coupon receipts should immediately be paid over to the cash taker. Failure to do so would constitute an event of default in terms of the Agreement.
- 1.3 As prescribed by Regulation 16 (12) of the Regulations Relating to Banks published in Government Gazette No. 21726 of 8 November 2000 issued by the Minister of Finance in terms of section 90 of the Banks Act (No. 94

of 1990), the seller shall continue to reflect an asset, of which the seller had been the outright owner and sold by the outright owner in terms of a repurchase agreement, as an asset in the seller's monthly balance sheet (Form BA900) opposite the relevant asset category, at the value at which that asset appeared in the accounting records of the seller prior to the sale thereof.

1.4 The seller will, however, indicate that the said security is subject to a repurchase agreement with the buyer (counterparty) so as not to mislead potential creditors or investors and because this accounting procedure is designed for practical and risk weighting purposes. The buyer will record the security as an asset in its books in the category "Securities under repurchase agreements" until the seller repurchases the security in question.

1.5 The SARB may amend this Notice from time to time. The SARB will endeavour to give reasonable notice of any amendments, but reserves the right to introduce any amendment with immediate effect, if necessary. The SARB may also vary the operational timetable or vary or omit any of the procedures described on any particular day, if deemed necessary.

2. Types of transactions for conducting open-market operations

2.1 Repurchase transactions

2.1.1 The SARB, as part of its monetary policy operations, conducts fixed-rate main repurchase (repo) auctions with one-week maturities. However, the SARB may at its discretion change the maturities for operational reasons. Details of the auctions will normally be announced at 10:00 and conducted between 12:00 and 12:15 on Wednesdays. If, for whatever reason, the auction cannot be conducted at 12:00, it will be postponed until 14:00. Details of such auctions will be announced at 12:30.

- 2.1.2 In its invitation to participate in the repo auctions, the SARB announces on its wire service pages (see Appendix III), its estimate of the market's daily average liquidity requirement for the coming week, together with the interest rate at which the repo auctions will be conducted.
- 2.1.3 If the total bids received in the main repo auction exceed the announced average weekly liquidity requirement, the SARB will allocate the auction on a pro rata basis using the formula on Appendix IV.
- 2.1.4 During the Monetary Policy Committee (MPC) meeting week, the SARB will conduct two main repo transactions. These transactions will be for two and five days, respectively. The first transaction will be conducted on Wednesday and mature on Friday, and the second one will be mechanically conducted on Friday and the banks that were successful in the Wednesday auction will roll the amounts as allocated on Wednesday, at the prevailing/new repo rate. However, if the MPC decision is announced on Wednesday, the main repo transaction will be for one and six days. The first transaction will be conducted on Wednesday and mature on Thursday (t+1), and the second one will be mechanically conducted on Thursday and mature on Wednesday (t+6). The banks will be obligated to tender via the Money Market Internet System (MMIS), for amounts as allocated on Wednesday. The same principles will be applied for MPC decisions on other days of the week. The SARB will ensure that there is no discrepancy in the amounts being tendered for and those allocated.
- 2.1.5 The Securities pledged in the main repo auction will be released to the "free balance" in the Central Bank Collateral Management System (CBCMS) when the repo matures. Banks will have an option to lodge the same or alternative Securities to ensure that sufficient collateral is provided to cover the second repo during the week of an MPC decision.

- 2.1.6 If Securities pledged as collateral are insufficient, the SARB will contact relevant banks for margin and the opposite will apply if banks have pledged too much Securities. Margin in this instance can be Margin Securities or Cash Margin as referred to in the Agreement.
- 2.1.7 The rate at which the main repo auctions are conducted is determined by the MPC of the SARB.
- 2.1.8 Holders of the Securities defined in Appendix I of this Notice should have full title of the Securities offered for the repo transaction. Securities offered for repo should not mature on or before the maturity date of the specific repo transaction. Collateral substitution is allowed once a GMRA has been signed with the SARB. Collateral substitution will take place between 10h00 and 15h00 every day except on the start and maturity date of the main repo transaction.
- 2.1.9 Manual intervention may be required should repo participants experience technical challenges. In such instances, the SARB will have to do the substitution on behalf of the repo participants. Details of Securities to be changed in respect of the collateral substitution should be sent to the SARB by [email to FMD-DomesticSettle@resbank.co.za](mailto:FMD-DomesticSettle@resbank.co.za), within the time stipulated for collateral substitution. The repo participant will complete a collateral substitution form (Appendix VIII) and send it to Domestic Trade Settlements (DTS). Thereafter, DTS will carry out the manual substitution on behalf of the participant.
- 2.1.10 The SARB will at 12:00 provide yields on its wire services pages (Appendix III) for the valuation of Securities acceptable in the repo transactions.
- 2.1.11 As mentioned in paragraph 1.2, coupon payments received on Securities that are sold in terms of a repo agreement would be paid over to the seller of the Securities (cash taker) on the interest payment date. Failure

to pass on the coupon payments to the cash taker on the payment date will constitute an Event of Default (as contemplated in the Agreement).

2.2 Supplementary square-off auctions and standing facilities

2.2.1 Supplementary square-off auctions

2.2.1.1 The SARB may, at its discretion, conduct supplementary square-off auctions with clearing banks. The supplementary square-off will take the form of either the supplementary repo or supplementary reverse repo auctions which will be announced towards the end of the settlement cycle (SAMOS position window), if some unexpected developments cause a large shift in liquidity conditions in the market. The same eligible Securities as listed in Appendix I are acceptable.

2.2.1.2 The SARB announces invitations for supplementary square-off auctions on its wire service page (see Appendix III).

2.2.1.3 Supplementary auctions are conducted at the prevailing repo rate.

2.2.1.4 These auctions can either be in the form of a liquidity-providing repo transaction or a reverse repo transaction where surplus liquidity is drained from the market.

2.2.1.5 Supplementary square-off auctions will be conducted on an overnight basis at the prevailing repo rate.

2.2.1.6 The SARB will, at 16:30, provide yields on its wire services pages (Appendix III) for the valuation of acceptable Securities.

2.2.2 Standing facilities

2.2.2.1 The standing facilities are automated and take place on a daily basis for all SAMOS participants in the form of a bilateral standing facility repo or standing facility reverse repo transaction maturing on the following business day. The respective interest rates are set at a spread of 100 basis points above or below the prevailing repo rate for the standing facility repo

and reverse repo transactions, respectively. The SARB may change the spread at any time at its discretion.

- 2.2.2.2 Non-SAMOS Participants will only have daily access to the standing facilities between 10:00 and 14:30 provided that they can deliver eligible Securities as collateral. Only SAMOS participants will have recourse to these facilities during the relevant square-off window period (SAMOS position window), also subject to the provision of suitable collateral (as defined in Appendix I of this Notice) if this is a liquidity providing transaction by the SARB.
- 2.2.2.3 The SARB will, at 16:30, provide yields on its wire services pages (Appendix III) for the valuation of acceptable Securities.
- 2.2.2.4 Although the standing facilities will be available to the banks at their discretion, the SARB will closely monitor utilisation of these facilities, and any sign of abuse can force the SARB to take necessary remedial action.

2.3 **Averaging of cash reserves**

- 2.3.1 The averaging of cash reserves enables banks to comply with the statutory cash reserves requirements on an average basis over each maintenance period¹.
- 2.3.2 In addition to the main weekly repo and the occasional supplementary square-off auctions, commercial banks also have access to their cash reserves balances at the SARB and the standing facilities offered on a daily basis.

¹ A maintenance period starts on the 15th working day of a month and ends on the 14th working day of the following month.

2.3.3 When accessing their cash reserves accounts (CRAs), banks have to differentiate whether such actions are either for the updating of balances according to Form BA310 or for refinancing purposes (i.e. utilising the averaging facility). The following “rec codes” (SAMOS description code for each transaction submitted) should be used:

- i) MDRES – for updating balances according to Form BA310; and
- ii) MDCRA – for refinancing and/or averaging purposes.

2.4 **Automation of end-of-day square-off**

2.4.1 The SAMOS penalty of 5 percentage points above the prevailing repo rate was abolished on 30 August 2010 and was replaced with the automated process with respect to the end-of day square-off operations. However, if it becomes evident that the abolition of the SAMOS penalty facility results in a dysfunctional interbank market, the S A R B will not hesitate to make the rate at which banks utilise this facility in the final end-of-day square-off more punitive.

2.4.2 The automatic square-off entails that any balance on the SAMOS clearing account at the end of the position window period, is settled at the prevailing standing facility rates. This implies the following:

2.4.2.1 If a bank is short of cash and does not utilise its cash reserves balances to fund this short position, the SAMOS system automatically provides the necessary funds at the prevailing standing facility rate of repo rate plus 100 basis points. The Securities lodged on SAMOS will be used as collateral for this loan and will be released the following business day. This facility is available to banks against the lodging of statutory liquid Securities as collateral as specified in Appendix I. These loans must be covered by at least 105 per cent of the market value of Securities pledged.

2.4.3 If a bank has surplus cash and does not utilise their cash reserves account to deposit these excess funds, the system automatically accepts these funds at a pre-determined standing facility reverse repo rate of repo rate less 100 basis points.

2.4.4 Banks that opted not to open SAMOS settlement accounts will only have access to liquidity provided by the SARB via the standing facility available between 10:00 and 14:30. (See paragraph 2.2.2.2.)

2.5 **SARB debentures**

2.5.1 The SARB issues its own debentures to drain surplus liquidity from the market (see terms of issuance Appendix VIII). These auctions are normally conducted on Wednesdays at 10:00. Market participants are invited to offer cash to the SARB on an auction basis (see Appendix VI). Bids (expressed to the nearest 0,005 per cent) are submitted via MMIS which forms part of the Central Bank Management System (CBMS). In the event of system problems being experienced, special arrangements can be made to submit bids telephonically to the Financial Markets Department (FMD) at (012) 313 4952 prior to the auction closing time followed by a confirmation email to FMD-InterestRate@resbank.co.za.

2.5.2 SARB debentures qualify as statutory liquid assets. The yield on debentures is calculated on an interest add-on basis and the maturity value includes interest.

2.5.3 Bids are ranked and allotted in ascending order. The SARB reserves the right to reject individual bids and to accept individual bids in part.

2.5.4 SARB debentures have maturities of 7, 14, 28 and 56 days, respectively. The SARB might at its discretion, adjust or vary these maturities.

2.5.5 Certificates are not issued as SARB debentures are fully dematerialised like most money-market instruments in South Africa.

2.5.6 If the issue or maturity dates fall on a public holiday, the SARB will change either the issue or maturity dates to the next business day. If the maturity date of a specific issue is declared a public holiday, the issue

will be redeemed on the next Business Day after the public holiday without interest being paid for the additional period.

2.6 Reverse repo transactions

- 2.6.1 Reverse repo (RR) transactions constitute the selling of Securities under repo contracts by the SARB to drain surplus liquidity from the market. These auctions normally close at 10:00 on Mondays. After announcing the cash amounts, as well as the underlying bonds on offer in the reverse repo auction (see Appendix VII), market participants are requested to submit bids for the amount of cash, the commensurate cash rates and the underlying bond. Bids (expressed to the nearest 0,01 per cent) are to be submitted via the MMIS. In the event of system problems being experienced by participants, special arrangements can be made to submit telephonic bids to the FMD at (012) 313 4952 prior to the auction closing time, followed by a confirmation email to FMD-InterestRate@resbank.co.za.
- 2.6.2 Bids are ranked and allotted in ascending order. The SARB reserves the right to reject individual bids and to accept individual bids in part.
- 2.6.3 The cash taker (i.e. the SARB) retains the right to any coupon payments on Securities used in reverse repo transactions. Failure to pass on the coupon payments to the SARB on the payment date would constitute an Event of Default (as contemplated in the Agreement).
- 2.6.4 Reverse repo transactions conducted by the SARB have maturities of 7, 14, 28 and 56 days, respectively. The SARB may, at its discretion, adjust or vary these maturities.
- 2.6.5 The SARB provides valuation rates for the Securities on auction at 10:00 on its wire services pages (Appendix III).

2.7 General procedure in submitting bids for the main repo and supplementary auctions

2.7.1 Bids for the main repo, as well as the supplementary square-off auctions should be submitted within 15 minutes and 5 minutes, respectively, after the auction commences. The non-SAMOS participants making use of the standing facilities should contact the SARB's dealing room between 10:00 and 14:30.

2.7.2 Bids for funds are irrevocable once the auction has closed. Participants commit themselves to entering into repo transactions up to the amounts specified in the bid(s) submitted at the close of the auction.

2.7.3 Bids for the main repo are submitted via the MMIS while bids for the supplementary auctions are submitted telephonically before they are confirmed and conducted through the MMIS. In the event of technical problems being experienced, participants in the main repo and supplementary auctions should call the SARB's dealing room at (012) 313 4952 with the details of their bids, before the closing time of the auction as specified in the invitation. When submitting a bid, participants must state only the total amount of funds for which they wish to bid. The type of Securities to be sold to the SARB (in the case of liquidity providing operations) should not be specified when submitting bids, but only after the announcement of results.

2.7.4 Non-SAMOS participants wishing to avail themselves of the standing facilities offered to them between 10:00 and 14:30 need to contact the SARB's dealing room telephonically to indicate their participation.

2.7.5 The main repo transactions that will be conducted on Fridays during the week of the MPC meeting (or any other day, depending on the day of the MPC interest rate decision announcement, as described in section 2.1), will be done mechanically by the SARB, without conducting a full auction. If the MPC decision is announced on Wednesday, the main repo

transactions will be conducted on Thursdays.

- 2.7.6 In the event of a dispute, reference will be made to recordings of telephone conversations. All telephone conversations received and made by the SARB's dealers are recorded.

2.8 **Acceptance of bids and announcement of results**

- 2.8.1 The total amount allotted is determined at the discretion of the SARB. Auction results are posted on the SARB's wire services pages (see Appendix III).
- 2.8.2 The auction results for individual participants will be released via the MMIS. Participants may call the SARB's dealers to obtain the auction results should they not be able to access the MMIS. The SARB reserves the right to either reject or accept individual bids in full or in part.

2.9 **Valuation of Securities and calculation of haircut**

- 2.9.1 Participants receive cash to the value of an accepted bid in a repo auction. However, in order to protect the SARB against credit and market risks, commercial banks have to provide the SARB with Securities with an adjusted market value ("haircut valuation"). The adjusted market value means that the value of the Securities divided by an appropriate ratio, as set out below, must at least be equal to the total repo price (the purchase price plus the interest on the repo transaction). These margins may be changed at any time at the discretion of the SARB.

Bonds with residual maturity longer than 10 years: 1,035

Bonds with residual maturity between 1 and 10 years: 1,025

Bonds, debentures and bills with residual maturity of up to 1 year: 1.010

- 2.9.2 Bonds are valued at the yields published at approximately 12:00 by the SARB on its wire services pages (See Appendix III).

2.9.3 Treasury bills are valued at the previous Friday's auction's discount rates. (The SARB retains the right to adjust the valuation rates in the event of substantial rate fluctuations.) There are four maturity bands with corresponding rates.

1 – 91 days: Previous Friday's auction for 91-day Treasury bills average discount rate

92 – 182 days: Previous Friday's auction for 182-day Treasury bills average discount rate

183 – 273 days: Previous Friday's auction for 273-day Treasury bills average discount rate

274 – 364 days: Previous Friday's auction for 364-day Treasury bills average discount rate

2.9.4 Land Bank bills are valued on the same basis as Treasury bills.

2.9.5 SARB debentures are valued at the average yield determined at the most recently held SARB debenture auction. If a relevant debenture rate is not available, the applicable prevailing Treasury bill yield will be used.

2.10 **Maturity of repurchase transactions**

2.10.1 The repo date is set on the day that the Securities are bought (or sold) by the SARB. Should the repo date be declared a public holiday after the auction had been conducted, the second leg of the transaction will be shifted to the working day following the public holiday without any adjustment to the original interest amount.

2.11 **Details of underlying Securities**

2.11.1 Participants in the main repo auctions should submit via the MMIS details of the type of Securities to be sold to the SARB within 30 minutes after the publication of the auction results. In the event of systems problems being experienced by participants, special arrangements can be made

to submit details telephonically to the FMD at (012) 313 4952, followed by email to FMD-InterestRate@resbank.co.za.

2.11.2 Participants in the supplementary square-off auctions should submit the details of Securities to be sold to the SARB within 10 minutes after the announcement of the auction results via the MMIS. In the event of systems problems being experienced by participants, special arrangements can be made to submit details telephonically to the FMD at (012) 313 4952, followed by a confirmation email to FMD-InterestRate@resbank.co.za

2.11.3 Non-SAMOS participants utilising the standing facilities offered between 10:00 and 14:30 should submit the details of Securities to be traded with the SARB within 10 minutes after informing the SARB of their intentions to do so via the MMIS. In the event of system problems being experienced by participants, special arrangements can be made to submit details telephonically to the FMD at (012) 313 4952, followed by a confirmation email to FMD-InterestRate@resbank.co.za.

2.12 **Delivery confirmation**

2.12.1 Details of Securities to be delivered in respect of the main repo auctions should be sent to the SARB by email to FMD-DomesticSettle@resbank.co.za or through SWIFT, within one hour after the announcement of the results.

2.12.2 In the case of a 14:00 auction, participants should send an email to FMD-DomesticSettle@resbank.co.za or via SWIFT details of Securities to the SARB not later than 15:00.

2.12.3 Due to time constraints regarding supplementary square-off auctions held during the SAMOS position window, details of Securities to be delivered should be sent to the SARB via the MMIS, or in the event of system problems being experienced, via SWIFT before the closure of the SAMOS position window.

- 2.12.4 Failure to accurately disclose and deliver the underlying Securities will constitute an Event of Default (as contemplated in the Agreement) and can result in a penalty of up to R100 000 (One Hundred Thousand rand) and the cancellation of the transaction by the SARB.

2.13 **Emergency procedures**

- 2.13.1 If the aforementioned procedures cannot be followed for whatever reason, the SARB reserves the right to change the procedures as deemed necessary. The market would be informed accordingly on the relevant wire service pages.

3. **Delivery and settlement of Securities**

3.1 **Delivery**

- 3.1.1 With the dematerialisation of the money market Securities the Financial Instrument Register (FIR) was replaced with the CBMS. Banks must have a Securities Owner Register account with Strate (SOR) that will allow them to pledge assets for Liquid Assets Requirement (LAR).
- 3.1.2 All Securities to be used for repo transactions should be transferred to the SARB's safe custody accounts in the Central Securities Depository. All the Securities received by the SARB as collateral will be recorded in the CBMS. The daily statements reflecting the Securities held in the CBMS will be made available on the MMIS.
- 3.1.3 Securities to be sold to the SARB following a repo auction should be available in the relevant accounts within one hour after the announcement of the auction results.
- 3.1.4 Securities to be sold to the SARB resulting from the utilisation of the standing facility available between 10:00 and 14:30 should be available in the relevant accounts within 30 minutes after informing the SARB of

such intentions.

- 3.1.5 Securities to be sold to the SARB following a supplementary square-off auction should be available in the relevant accounts before the closure of the SAMOS position window.

3.2 **Settlement**

- 3.2.1 Provided that sufficient collateral has been secured in the Central Securities Depository and recorded in the CBMS, the SARB and the participants will transfer the funds within one hour via the SAMOS System. Banks that do not participate in the SAMOS system must settle through their settlement banks.

- 3.2.2 All transfers done through the Central Securities Depository will be done during the first settlement run on the day of settlement.

3.3 **Repurchase of Securities**

- 3.3.1 When a repo transaction matures, participants should purchase Securities from the SARB equivalent in value to those that it has sold to the SARB in the first leg of the transaction. On or after receiving payment (via SAMOS), the SARB will deliver to the participant Securities equivalent to those sold to it.

3.4 **Reverse repo transactions**

- 3.4.1 The reporting, matching and settlement of the reverse repo transactions, as explained in paragraph 2.6, will take place via the JSE Ltd and Strate Ltd, respectively.
- 3.4.2 The transfer of Securities will be effected in the first settlement run of the day. Settlement will take place on a net basis and no trade exclusions will be allowed.

4. Margin maintenance

4.1 Repo transactions

4.1.1 In order to cover against potential losses, the SARB uses two methods to mitigate market risk. In addition to the “haircut” valuation explained in paragraph 2.9, the SARB also utilises margin calls to neutralise mark-to-market losses.

4.1.2 Calculation of margin deficit

4.1.2.1 The SARB marks-to-market each commercial bank’s repo portfolio on a daily basis. The adjusted market value of Securities provided as collateral in all the outstanding repo transactions of each participant is compared with the repo price of these transactions. The SARB calls for margin if the market value falls below the total repo price by an amount equal to or greater than R5 million. The SARB may change this call-trigger amount at its discretion. Margin calls can be settled in Margin Securities or Cash Margin, which are considered in subsequent mark-to-market valuations.

Example:

Margin deficit when total market value is less than the total repo price

Purchase price

(repurchase tender allotment) R350 000 000

Interest +R 142 000

(at repurchase tender rate)

Total repo price (sell-back cash consideration) R350 142 000 (A)

Adjusted value of bonds sold to the SARB R201 336 488

Adjusted value of Treasury bills sold to the SARB +R143 424 081

Total adjusted market value R344 760 569 (B)

Thus, margin deficit is:

Total adjusted market value (B)	R344 760 569
Total repo price (sell-back price) (A)	<u>-R350 142 000</u>
Margin deficit (B) – (A)	<u>-R 5 381 431</u>

- 4.1.2.2 In the above example, the SARB requires Margin Securities or Cash Margin with a total market value of at least R5 381 431.
- 4.1.2.3 The SARB will advise participants before 09:30 of the exact amount of any margin transfers to be made, based on the official JSE Ltd bond closing rates for value the previous day.
- 4.1.2.4 If the SARB exercises a margin call, details of the Margin Securities or Cash Margin to be delivered to the SARB should be confirmed by email to FMD-TAU-DOMESTIC@resbank.co.za before 10:30 on the day of the call. Margin Securities should be delivered before 11:00. Cash Margin should also be paid before 11:00 via SAMOS to the SARB.
- 4.1.2.5 Interest on Cash Margin will be calculated at the South African Benchmark Overnight Rate (Sabor) on a daily basis and paid to the counterparty on the first Business Day of the next month. The same principle will apply when the SARB is called for Cash Margin.
- 4.1.3 Repayment of excess margin
- 4.1.3.1 If the total adjusted value of Securities exceeds the total repo price for all repurchase transactions outstanding with a participant by an amount equal to or greater than R5 million, the SARB will, at the request of the participant, transfer the excess margin. Participants should request the SARB before 09:30 for such transfers.

4.1.4 Margin Transfer

- 4.1.4.1 Where Securities are provided as margin, the maturity dates of such Securities must exceed the maturity date of the longest outstanding repo transaction with that participant.

4.2 **Reverse repo transactions**

4.2.1 Calculation of margin deficit

- 4.2.1.1 Reverse repo transactions are not subject to haircut valuations. However, such transactions are marked-to-market daily using the JSE bond closing rates. The SARB will call for margin if the market value of the Securities sold to the counterparty exceeds the cash plus total interest for the period of the transaction (repo price) by an amount equal to or greater than R5 million. Outstanding repo and reverse repo transactions are netted.

- 4.2.1.2 Interest at the Sabor will be calculated daily on cash margins and paid to the counterparty on the first Business Day of the next month. The same principle applies when the SARB transfers Cash Margin.

4.2.2 Margin Transfer

- 4.2.2.1 Counterparties subject to a margin call should be informed of such a call before 09:30. Securities to be delivered should be confirmed via email to FMD-TAU-DOMESTIC@resbank.co.za by 10:30 and settled before 11:00. The maturity date of any security provided as margin must exceed the maturity date of the longest reverse repo outstanding with that participant.

TAKE NOTE:

Any figures used in the following Appendices are fictitious and only used to enhance the readability of the document. The SARB reserves the right to amend the layout or contents of any page or table at its sole discretion.

APPENDIX I

LIST OF ELIGIBLE COLLATERAL

The list of eligible Securities for use as collateral consists of statutory liquid assets as defined in the Banks Act, 1990 (Act No 94 of 1990). Statutory liquid assets consist of:

- Government bonds (Rand denominated)
- Land bank bills
- Separate Trading of Registered Interest and Principal of Securities (STRIPS)
- SARB debentures
- Treasury bills

DESCRIPTIONS

- **Government bonds** are fixed-interest bearing securities issued by the central government under the Public Finance Management Act (No. 1 of 1999) (PFMA) and constitute evidence of debt of the Republic of South Africa and therefore represent a charge on the revenues and assets of the Republic. PFMA provides the Minister of Finance with the authority to borrow money and to convert such loans into any loan with the concurrence of the lender.
- **Land Bank bills** are issued by the Land and Agricultural Development Bank of South Africa under the Land and Agricultural Development Bank Act, 2002 (Act No. 15 of 2002), and represent a liability of the Land and Agricultural Development Bank of South Africa, that is a debt obligation of the Land and Agricultural Development Bank of South Africa. Land Bank bills are issued at a discount to their face value.
- **Separate Trading of Registered Interest and Principal of Securities (STRIPS)**, issued in terms of the PFMA which provides the Minister of Finance with the authority to borrow money and to convert such loans into any loan with the concurrence of the lender. These STRIPS trade as zero-coupon instruments.
- **SARB debentures** are issued by the SARB in terms of the South African Reserve Bank Act (No. 90 of 1989) for liquidity management purposes. The yield on debentures is calculated on an interest add-on basis and subsequently the maturity value includes interest. The SARB has the discretion to change the maturities, offer amounts or redeem the debentures prior to maturity.
- **Treasury bills** are short-term debt obligations of the central government and represent a charge on the revenues and assets of the Republic of South Africa. The issuing of Treasury bills is governed by the PFMA. Treasury bills are issued at a discount to their face value.

APPENDIX II

TIMETABLE FOR REPO AUCTIONS

Electronic announcements	Time	Activity	Action by participant	Action by the SARB
<i>Weekly:</i>				
Auction invitation	10:00	Main repo auction		
Bidding opens	12:00		Bid via MMIS	Receive, process and allocate bids
Bidding closes	12:15			
Auction results	12:20		Confirm amounts received	Confirm allocated amounts with participants
	12:50		Submission of security split	Check submissions received from participants
	13:20		Deliver Securities	Receive Securities as specified in submissions and transfer funds
Auction invitation	12:30	Main repo auction if the 12:00 auction was postponed		
Bidding opens	14:00		Bid via MMIS	Receive, process and allocate bids
Bidding closes	14:15			
Auction results	14:20		Confirm amounts received	Confirm allocated amounts with participants
	14:50		Submission of security split	Check submissions received from participants
	15:00		Deliver Securities	Receive Securities as specified in submissions and transfer funds
Daily square-off operations:		Conducted at the discretion of the SARB		
		Supplementary auction, if offered, and start of automated square-off process	Enter telephonic bids and load it on MMIS if supplementary auction is offered. Utilise cash reserve accounts.	
Auction invitation	16:30			Receive, process and allocate bids
Bidding closes	16:35			
Auction results	16:40		Confirm amounts received. Load Securities on MMIS	Confirm allocated amounts with participants
	16:50		Closing balances settle automatically on SAMOS at standing facility rates	Check Securities loaded by participants if a supplementary tender is loaded. Receive Securities and transfer funds.

EXAMPLES OF ANNOUNCEMENTS ON WIRE SERVICES

1. MAIN REPO AUCTION

Estimated time of release: Invitation and average at 10:00 and/or 12:30 and results at around 12:20 and/or 14:20

FIGURE 1: MAIN REPO AUCTION (SARB04) on Reuters and (SABA) on Bloomberg as well as SARB website

MAIN REPO	
TENDERS ARE INVITED FOR THE FOLLOWING MAIN REPO AUCTION	
Auction Date	
Maturity Date	
Repo Rate	
Opening Time	
Closing Time	
Results At	
Liquidity Estimated For The Week: (R'm)	
Average	
Main Repo Results (R'm)	
Amount Received	
Amount Allotted	
Please go to "What's New" on the SARB website for special announcement regarding changes to the monetary policy procedures.	
(www.resbank.co.za) Queries (012) 313 4952	

2. SUPPLEMENTARY AND STANDING FACILITY REPO / REVERSE REPO AUCTIONS

Estimated time of release: Invitation at 16:30 and results at around 16:40 (Supplementary facilities)

FIGURE 2: SUPPLEMENTARY REPO AUCTION AND STANDING FACILITY UTILISATION (SARB05)

SUPPLEMENTARY REPO AUCTION AND STANDING FACILITY UTILISATION	
Bids are invited for a supplementary repo.	
Auction Date	
Maturity Date	
Repo Rate	
Results At	
Opening Time	
Closing Time	
Amount Offered	
Amount Received	
Amount Allotted	
Utilisation of Standing Facility (SF) between 10:00 and 14:30	
Standing Facility Allotment (R'm)	
SF Repo at Repo +1.0%	
SF Reverse Repo at Repo -1.0%	
(www.resbank.co.za) Any queries (012) 313 4952	

3. REFINANCING STATISTICS

FIGURE 3: ESTIMATED TIME OF RELEASE 09:00 (SARB17)

MONEY MARKET SUMMARY		
Amounts in R'm		
BANK notes and coin in circulation		
BANK notes and coin in circulation		
Date		
Main Repo		
Supplementary Auction		
Standing Facility (Non Clearing Banks)		
Cash Reserve Account Maintenance (MDRES)		
Cash Reserve Account Utilisation (MDCRA)		
SAMOS Square-Off		
SADC-RTGS (formerly Siress)		
Main Repo Outstanding		
Reverse Repo Outstanding		
SARB Debentures Outstanding		
Liquidity Requirement (1)		
Any Queries (012) 313 4952		
Amounts in Rand Millions (R'm)		
MDRES and MDCRA = (+) Deposit (-) Withdrawal		
SAMOS Square-off: (+) Utilisation of facility (-) Surplus Funds		
Supplementary/Standing Facility = (+) Repo (-) Rev Repo		
(1) Liquidity Requirement Calculation: Outstanding Main Repo + Outstanding Supp + Outstanding Standing Facility + (expected cash reserve action - actual cash reserve action)		

4. ASSET VALUATION RATES

FIGURE 4 (SARB20)

TIME		2018-05-28	R212	2.29		R2030	8.85
R159		7.35	R213	8.94		R2032	9.03
R186		8.42	R214	9.28		R2040	9.31
R197		2.33	I2025	2.45		R2044	9.33
R202		2.70	I2033	2.7		E170	8.17
R203		3.20	I2038	2.72		ES33	10.44
R204		6.69	I2050	2.86		SZ25	9.47
R207		7.24	R2023	7.82		WS04	7.85
R208		7.49	R2035	9.13		TN27	10.38
R209		9.13	R2048	9.3			
R210		2.67	R2037	9.21		SARB DB 7 day	6.49
			I2046	2.86		SARB DB 14 day	6.75
			I2029	2.7			
		Percentage	R'm			SARB DB 28 day	6.50
Overnight FX		6.50	3730			SARB DB 56 day	6.99
SABOR		6.477	39536.97			TB 0 - 91 DAYS	7.03
Publish date:		2018-05-28				TB 92 - 182 DAYS	7.11
Value date:		2018-05-25				TB 183 - 273 DAYS	7.08
						TB 364 DAYS	6.96

APPENDIX IV

MAIN REPURCHASE AUCTION ALLOCATION METHOD

Formula: Allocating on a pro rata basis

$$Allot = \sum_{x=1}^n \left[\frac{a^x}{b} \times c \right]$$

Where:

Allot = the total amount allotted

n = the number of banks participating in the auction

a = the bids of the individual banks

b = the total amount of bids received

c = the amount on offer

The table below illustrates how the allocation of an amount of R56,0 billion would be effected.

Table: Example of a pro rata allocation

Participants	Bids received	Bids allocated	Bids / Shortage	Alloc / Shortage
Bank A	57,000	14,916	102%	27%
Bank B	50,000	13,084	89%	23%
Bank C	52,000	13,607	93%	24%
Bank D	45,000	11,776	80%	21%
Bank E	10,000	2,617	18%	5%
	214,000	56,000		100%

APPENDIX V

MARGIN TRANSFER FORM

Contact name:,,..... Contact no:.....email:

MARGIN TRANSFER TO THE SOUTH AFRICAN RESERVE BANK FROM: _____ PARTICULARS OF SECURITIES TO BE TRANSFERRED TO THE SARB

ELIGIBLE BONDS				
Type	Nominal	YTM	VALUE	
Total A				
TREASURY / LAND BANK BILLS				
Type	Nominal	Days to Maturity	Discount Rate	Value
Total B				
SARB DEBENTURES				
Nominal	Maturity value	Days to Maturity	Yield	Value
Total C				
CASH				
Total D				
Total A + B + C + D				

AUTHORISED SIGNATURE 1

AUTHORISED SIGNATURE 2

SOUTH AFRICAN RESERVE BANK DEBENTURES

1. SCREEN ANNOUNCEMENTS

Estimated time of release: Invitation normally at around 8:00 on the morning of the auction. Results at around 11:00.

FIGURE 1: INVITATION (SARB14)

SARB DEBENTURE AUCTION INVITATION				
TENDERS ARE INVITED FOR THE FOLLOWING SARB DEBENTURE AUCTION				
AUCTION DATE				
SETTLEMENT DATE				
TOTAL AMOUNT ON OFFER (R'm)				
DAYS	7	14	28	56
Any queries contact the dealing desk on (012) 313 4952				
SARB's website (www.resbank.co.za)				
Results <SARB15>				
Terms and Conditions <SARB16>				
SARB main page <SARB01>				

1.) SARB Debenture Invitation		2019/06/05 08:14:34					
TENDERS ARE INVITED FOR THE FOLLOWING SARB DEBENTURE AUCTION							
Auction Date	2019-06-05						
Settlement Date	2019-06-05						
Total Amount on Offer (R'm)	1,000						
Days	7				14	28	56
Maturity Date	2019-06-12				2019-06-19	2019-07-03	2019-07-31
Closing Time for Bids	10:00						
Results at	11:00						
For any queries contact the dealing desk on (012) 313-4952							
Results can be confirmed at (012) 313-4490							

FIGURE 2: RESULTS (SARB15)

SARB DEBENTURE AUCTION RESULTS				
TENDERS ARE INVITED FOR THE FOLLOWING SARB DEBENTURE AUCTION				
AUCTION DATE	_____			
SETTLEMENT DATE	_____			
DAYS	7	14	28	56
MATURITY DATE:	_____	_____	_____	_____
AMOUNT RECEIVED (R'm)	_____	_____	_____	_____
AVERAGE YIELD LOWEST	_____	_____	_____	_____
YIELD	_____	_____	_____	_____
CLEARING YIELD	_____	_____	_____	_____
OUTSTANDING AS OF _____ AMOUNTS TO _____				
Results can be confirmed at (012) 313 4952				
Any queries contact the dealing desk on (012) 313 4952				
SARB's website (www.resbank.co.za)				
Results <SARB15>				
Terms and Conditions <SARB16>				
SARB main page <SARB01>				

REVERSE REPURCHASE TRANSACTIONS

1. SCREEN ANNOUNCEMENTS

Estimated time of release: Invitation normally at around 8:00 on the morning of the auction. Results at around 11:00.

FIGURE 1: INVITATION (SARB06)

REVERSE REPO AUCTION INVITATION			
BIDS ARE INVITED FOR THE FOLLOWING REVERSE REPO			
AUCTION DATE	_____		
SETTLEMENT DATE	_____		
CLOSING TIME FOR BIDS	_____		
RESULTS AT	_____		
DAYS	_____		
MATURITY DATE	_____		
BONDS ON OFFER	_____	_____	_____
CASH AMOUNT	_____	_____	_____
Any queries contact the dealing desk on (012) 313 4952			
SARB's website (www.resbank.co.za)			
Results <SARB07>			
Terms and Conditions <SARB08>			
SARB main page <SARB01>			

FIGURE 2: REVERSE REPO RESULTS (SARB07)

REVERSE REPO AUCTION RESULTS

Auction Date				
Settlement Date				
7 Days: Maturing Date 2019-02-21				
Bonds				
Amount Received (R'm)				
Amount Allotted (R'm)				
Average Rates %				
14 Days: Maturing Date 2019-02-28				
Bonds				
Amount Received (R'm)				
Amount Allotted (R'm)				
Average Rates %				
28 Days: Maturing Date 2019-03-14				
Bonds				
Amount Received (R'm)				
Amount Allotted (R'm)				
Average Rates %				
56 Days: Maturing Date 2019-04-11				
Bonds				
Amount Received (R'm)				
Amount Allotted (R'm)				
Average Rates %				
<p>For any queries contact the dealing desk on (012) 313-4952 SARB's website (www.resbank.co.za) Result<SARB06> Termsand Conditions <SARB08> SARB main page <SARB01></p>				

APPENDIX VIII

COLLATERAL SUBSTITUTION FORM

Name of the bank:

Contact no:

Email:

PARTICULARS OF COLLATERAL TO BE SUBSTITUTED

Current			Replace with		
FI*	Nominal	ISIN	FI*	Nominal	ISIN

*Financial Instruments
NB: FI may only be used once for substitution

SARB DEBENTURES TERMS OF ISSUANCE

1. Definitions

Debentures

Debentures are unsecured certificates of debt backed by the credit of the issuer. Central banks often issue debentures to manage liquidity conditions in the money market. Investors purchase debentures based on the credit worthiness of the debt issuer.

Dematerialisation

A process whereby paper-based certificates or documents of title are replaced with electronic records.

Issue date

The date on which the debentures are issued to successful auction participants.

Issue size

The rand amount of debentures allocated.

Maturity

The date on which the life of a debenture transaction ends, after which it must either be renewed, or it will cease to exist.

Maturity date

The date on which the debentures are redeemed and the initial capital and interest get paid.

Multiple rate auction

An auction where the allotted rate equals the interest rate offered in each individual bid. Also referred to as an American style auction.

Payment

Payments are in rand and settle via South African Multiple Option Settlement (SAMOS).

Rating

Indication of the financial creditworthiness / soundness of the issuer based on the ability to meet debt obligations. Ratings are assigned by different international rating agencies.

SARB

The South African Reserve Bank referred to in Section 2 of the South African Reserve Bank Act, 1989 (Act No. 90 of 1989).

SARB debentures

Debentures issued by the SARB to drain excess liquidity from the market. SARB debentures are dematerialised and are issued at the discretion of the SARB.

Settlement banks

Banks that are SAMOS participants.

Settlement date

The date on which a transaction is settled. The settlement might take place on the same day as the trade (same-day settlement) or can occur on one or several days after the trade date (settlement date is specified as the trade date (T) + settlement lag).

2. Terms and conditions of the issue

2.1 Issue

Issue date is normally on a Wednesday. However, the issue date can at times take place on a different day, should a Wednesday be a public holiday. The issue date in such an event will change to either the previous working day or the next working day. The issue date and the settlement date coincide as SARB debentures settle on a same-day basis (T+0).

The offered amount is determined at the discretion of the SARB, after considering the liquidity conditions prevailing in the market.

SARB debentures normally have maturities of 7, 14, 28 or 56 days, respectively. The maturities can be adjusted or varied at the discretion of the SARB.

2.2 Authorisation

All SARB debentures are issued in terms of Section 10(1)(i) of the South African Reserve Bank Act, 1989 (Act No. 90 of 1989).

2.3 Purpose of issue

The SARB issues debentures as a monetary policy instrument with the aim of draining excess liquidity from the money market.

2.4 Redemption of capital and interest

Interest earned on SARB debentures, at the debenture rate, shall be payable in arrears to the holder or last transferee on the maturity date. The interest payment shall be calculated according to the actual number of days from the issue date based on a 365-day year.

The interest earned on debentures as well as the capital thereof shall be transferred by the SARB to the credit of the holder or last transferee, and shall be deemed to have been received by the holder or last transferee if it had been so transferred.

Should the maturity date be declared a public holiday, after the auction had been conducted, the maturity date will be the next working day following the public holiday without any adjustment to the original interest amount.

2.5 Trading

There is no formalised exchange for SARB debentures and trading takes place on an over-the-counter (OTC) basis. The SARB debentures are issued on an auction basis once a week (primary issue). SARB debentures can also be traded in the secondary market.

2.6 Method of issue

Debentures are issued by the SARB on a multiple rate auction basis. These auctions are normally scheduled for Wednesdays. The minimum bid to participate in a debenture auction is limited to R1 million, and thereafter bids must be submitted in multiples of R1 million. Bids will be ranked and allotted in ascending order and should be expressed as a yield to the nearest 0.005%.

Bids are to be submitted to the FMD before 10:00 on the issue date. Tendering for the debentures can be done in the following manner:

- i. Money Market Internet System (MMIS). Before participants can utilise the MMIS, they have to register with the FMD and sign the required agreement.
- ii. If the MMIS is not operational due to a system failure, telephonic bids followed by a confirmation email could be submitted to the FMD's dealing room at

012- 313 4952, email at FMD-InterestRate@resbank.co.za, before the auction closing time.

2.7 Settlement

Settlement takes place electronically via SAMOS on a T+0 basis. Non-SAMOS participants have to settle via a settlement bank. The debentures will be moved to the account of the selected custodian and will be available once payment is received.

2.8 Statements

Statements of CBMS account holders are available daily from the Financial Markets Department at the SARB.

2.9 Maturity date

On maturity date, maturity values (initial capital plus interest) will be paid to CBMS account holders.

2.10 Transfers

CBMS account holders must instruct the FMD by means of a multiple Transfer Instruction Form if scrip has to be transferred between accounts in the CBMS systems. Transfers of the debentures will be effected by the FMD. Enquiries in this regard can be directed to the Financial Markets Department at the SARB.

2.11 Debentures rating

The creditworthiness of a central bank is in most instances the same as that of the country. Ratings are assigned by international rating agencies, e.g. Standard and Poor's (S&P), Moody's Investors Services and Fitch. Rating agencies regularly review their assessment of South Africa's short-term debt rating. Information on South Africa's ratings can be found on the National Treasury's website www.treasury.gov.za.