



NATIONAL TREASURY
REPUBLIC OF SOUTH AFRICA

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THE ROLE OF PRIMARY DEALERS IN THE STRIP PROGRAMME

PRESS RELEASE

The National Treasury's Paper on STRIPS states that although anyone can trade or hold strips, only Primary Dealers in Government Bonds, who have entered into a Strip Agreement with National Treasury, will be authorised to perform stripping and reconstitution through the National Treasury's facility. The Primary Dealers that have entered a Strip Programme agreement with the National Treasury are Nedcor Investment Bank (NIB), Rand Merchant Bank (RMB) and Standard Corporate and Merchant Bank (SCMB).

The National Treasury's Paper on STRIPS further states that the Strip Primary Dealers will not be obliged to make a market in strips as part of their general market making obligations for the first six months (beginning 21 January 2002). After six months, the role of Primary Dealers in Strips will be reviewed.

In line with this, a meeting was held on 17 July 2002 between the National Treasury, the South African Reserve Bank (SARB) and the Strip Primary Dealers. With R6 billion bonds stripped, the meeting acknowledged the progress made thus far. The meeting also agreed that the understanding of the strip market features is improving among the market participants and that the strip market will continue to improve going forward.

Regarding strip market making, the meeting agreed that the time was still not right for the three Primary Dealers to be obliged to make a market. This means that the Strip Primary Dealers will continue with their current responsibility which is mainly strip market facilitation.

The National Treasury understands that the Strip Market is relatively new and acknowledges the important role that has been played by the Strip Primary Dealers and Strip market participants. Further, the National Treasury is confident that the Strip Market will continue to develop.

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