



NATIONAL TREASURY

REPUBLIC OF SOUTH AFRICA

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ANNOUNCEMENT OF THE SINGLE PRICE AUCTION SYSTEM FOR GOVERNMENT INFLATION LINKED BONDS

Inflation linked bonds (ILBs) were initially introduced in the 1999/2000 financial year as part of the active debt management strategy undertaken by the National Treasury. The ILB portfolio comprises four maturities namely the R198 (3.80%: 2008); R189 (6.25%: 2013); R197 (5.50%: 2023) and the R202 (3.45%, 2033). To date, the ILB real yield curve is fully developed and South Africa is one of the few countries with the maturity extending to the year 2033.

ILB auctions are open to all market participants and have been conducted on a multiple price auction system since their inception.

After consulting the relevant stakeholders, the National Treasury decided to review the multiple price auction system to a single price auction system. This is intended to minimise the winner's curse risk associated with a multiple price auction system.

Accordingly, the National Treasury announces that with effect from 01 October 2005, the ILB auctions will be conducted on a single price (Dutch) auction system through the South African Reserve Bank (SARB).

In a single price auction, all successful competitive bidders are awarded bonds at the price equivalent to the highest yield of accepted competitive bids limited to the auctioned amount.

Issued by: National Treasury
03 October 2005