



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

PRESS RELEASE

REVISED GENERAL TERMS AND CONDITIONS OF THE INFLATION- LINKED BOND REVERSE REPO FACILITY

- 1) The National Treasury hereby announces the General Terms and Conditions of the Reverse Repurchase Agreement Transactions Facility (Repo facility) in Inflation Linked Bonds (ILBs).
- 2) The ILB Reverse Repo facility will be conducted by the South African Reserve Bank (SARB) on behalf of the National Treasury on an auction basis.
- 3) The first ILB Reserve Repo auction will be conducted on **31 August 2006**.
- 4) The Terms and Conditions of the ILB Reverse Repo Facility are as follows:
 - a. **The Size of the Facility**
 - The total nominal outstanding amount under this facility will not exceed R1 billion.
 - b. **The Maturities on Offer**
 - All existing maturities will be on offer i.e. R198 (3.8%:2008), R189 (6.25%:2013), R197 (5.5%:2023) and R202 (3.45%:2033).

c. Auctions

- ❑ The auctions will be conducted on a weekly basis.
- ❑ The term/tenure of the repo's will be disclosed in the invitation.
- ❑ The announcement will be made at 8h30 on the morning of the auction on the SARB's wire services pages.
- ❑ The auction will, unless specified otherwise, be conducted on Thursdays.
- ❑ The auction will close at 10h00 and the results will be released at 11h00 on the SARB's wire services pages.
- ❑ Bids cannot be changed after the auction has closed.
- ❑ Bids should specify:
 1. The nominal amounts which the participants want to invest in the ILB reverse repo auction.
 2. The reverse repo rate indicating the interest that participants expect to earn on the cash amount provided to the SARB (expressed to the nearest 0, 01%).
- ❑ Participants are required to submit bids in minimum cash amounts of R5 million, and thereafter, in multiples of R1 million.
- ❑ Bids will be allocated in an ascending order based on the individual reverse repo rates tendered.
- ❑ The amounts allocated for each of the bonds on offer will be at the discretion of the National Treasury, who may decide to allocate all or nothing of the bonds on offer.
- ❑ Settlement on a T+3 basis.
- ❑ Cash settlements via SAMOS.
- ❑ In terms of the established convention with respect to reverse repos conducted by the SARB, the coupon interest received on the bond will be payable to the supplier of the stock.
- ❑ Bids must be submitted to the SARB via the Money Market Internet System (MMIS).
- ❑ In the event of the MMIS is not being functional, participants should call the SARB's dealing desk at 012 313 4952/7, with the details of their bids, before the auction closes. Confirmation of the telephonic bids should faxed to the SARB dealing room (Fax: 012 313 4278).

d. Valuation Rates

- ❑ The Reference CPI rates, as well as, the index ratios needed for the calculation of the nominal amounts of ILBs to be allotted to successful bidders will be released with the auction invitation.
- ❑ The prevailing real yields on the respective ILBs will be provided by the SARB at the closure of the auction on its wire services pages.

e. Maturity of the Reverse Repurchase transactions

- ❑ On maturity of the reverse repurchase transaction, the ILBs will be repurchased from participants at the agreed price. Upon receiving payment (via SAMOS), participants must deliver the equivalent securities purchased in the first leg of the transaction.

f. Margin Maintenance

- Participants will be called for margin in order to mitigate against market and credit risks.
 1. ILBs held by the counterparty are marked-to-market daily using Bond Exchange of South Africa (BESA) closing rates. The SARB will call for margin if the market value of the ILBs exceeds the cash plus total interest for the period of the transaction (repurchase price) by an amount equal to or greater than R5 million.
 2. If the repurchase price exceeds the total market value of the ILBs purchased by participants by R5 million, the SARB will at the request of the counterparty transfer the excess margin.
 3. Interest on cash margins will be calculated at the SAONIA rate and paid to the counterparty at the end of the month. The same principle will apply when the SARB is called for margin.
 4. Only cash will be accepted for margin maintenance.

g. Legal Compliance

- Participants should have signed the SARB'S Master Repurchase Agreement (MRA) and the addenda to the MRA in order to participate in the ILB reverse repo auctions.
- Two signed copies should be sent to the SARB's Financial Markets Department.
- Facility available only to members of BESA
- Documentation in this regard is available on the SARB's website: www.resbank.co.za (Financial Markets Department/Public Finance)

h. Contact Person at the SARB

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