



**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**

TREASURY BILL  
INFORMATION  
MEMORANDUM

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## **1 INTRODUCTION**

This document provides a general outline of the policy, institutional, and operational aspects of Treasury Bills, as short-term debt instruments of the Government of the Republic of South Africa, issued by the National Treasury.

## **2 DESCRIPTIONS**

### **2.1 Treasury Bills**

2.1.1 Treasury Bills are short-term debt instruments denominated in South African Rands (ZAR), which are sold at a discount to par and carry no coupon. Treasury Bills are issued to the market at different maturities from 1-day to 12 months. Treasury Bills are redeemable at par on maturity.

2.2.1 Treasury Bills are used by government as a short-term funding instrument and as a tool to manage government's liquidity.

### **2.2 Issuer**

2.2.1 The National Treasury means the National Treasury as established by Section 5 (1) of the Public Finance Management Act, Act 1 of 1999 as amended by Act 29 of 1999 (PFMA).

2.2.2 The Minister of Finance is the head of the National Treasury in terms of Section 5 (2) of the PFMA.

2.2.3 In terms of Section 66 (2) (a) of the PFMA, the Minister of Finance may borrow money for purposes stipulated in Section 71 of the same Act.

2.2.4 Pursuant to this section of the PFMA, Treasury Bills are issued by the National Treasury on behalf of the Minister of Finance as a representative of the Government of the Republic of South Africa.

2.2.5 Treasury Bills may be issued from time to time, usually weekly, subject to the applicable terms of this information memorandum, by invitation to tender, by private placement, or by any other means that may be chosen by the National Treasury.

### **2.3 Issuing Agent**

The South African Reserve Bank (SARB) as established by Section 223 of the Constitution of the Republic of South Africa, Act No. 108 of 1996 as amended, acts as an issuing agent of the National Treasury and is authorised to receive and deal with applications for the issuing of Treasury Bills.

### **2.4 Registrar and Settlement Agent**

2.4.1 The SARB as registrar and settlement agent of the National Treasury is authorised to receive and make payments of monies due on Treasury Bills.

2.4.2 The National Treasury reserves the right to appoint another person or institution as its registrar, issuing or settlement agent or to perform these functions instead.

In such circumstances holders of Treasury Bills as well as all the participants in Treasury Bill auctions will be advised accordingly.

### **3 AUCTION PROCEDURES**

#### **3.1 Registration of bidders**

Only bidders who are registered to participate via the issuing agent's auction system may take part in the auctions. Any details with regard to the registration procedure and/or agreement can be acquired from the SARB's Financial Markets Department's dealing room.

#### **3.2 Announcement of periodic auctions**

3.2.1 An invitation to participate in the weekly Friday auction of Treasury Bills is issued by the SARB as the issuing agent on the business day prior to the day of the auction.

3.2.2 Should Friday be a public holiday, the auction takes place on Thursday and the invitation is issued on Wednesday. Depending on the number of public holidays during any particular week, the day of the auction and the invitation for bids may be adjusted at the discretion of the issuer.

3.2.3 The invitation for bids is published on the electronic news services, (i.e. Reuters, Bloomberg, I-Net Bridge, etc) as well as on the SARB's Website ([www.reservebank.co.za](http://www.reservebank.co.za)) and includes the following information:

- Auction date;
- Amount of Treasury Bills on offer for the different maturities;
- Term of 91 or 182, 273 and 365 days, etc. and maturity dates for which bids are invited;
- Closing time of the auction;
- Settlement date for the auction; and
- Announcement time of the results of the auction.

3.2.4 Special auctions may be announced on the day of the special auction. The invitation for these auctions will include information such as the amount and the term of the Treasury Bills, as well as the closing time for submission of bids and the time of the announcement of the results.

3.2.5 All invitations for participation in Treasury Bill auctions are made in terms of and pursuant to this information memorandum.

3.2.6 Any enquiries with regard to the announcement of auctions or their results may be directed to the money market dealers in the SARB's Financial Markets Department.

### **3.3 Submission of bids**

- 3.3.1 Bids can only be submitted through the Money Market Internet System (MMIS), which is an Internet based auction system that allows pre-registered users to submit their bids on-line. This software is loaded free of charge on registered participants' Local Area Network.
- 3.3.2 In the case where bidders are unable to submit bids via the MMIS, telephonic bids followed by fax or swift confirmation may be submitted to the money market dealers in the SARB's Financial Markets Department.
- 3.3.3 Bids must be for a minimum of R100 000.00 and in multiples of R10 000.00 thereafter.
- 3.3.4 Separate bids must be submitted by banks in instances where they bid on behalf of themselves and their clients.
- 3.3.5 Each bid for the normal weekly auction must state the price expressed in multiples of 0.005 (e.g. 98.345%). Decimal places beyond three will be disregarded.
- 3.3.6 Each bid for the special auction must state the discount rate expressed in multiples of 0.01 (e.g. 9.17%).

### **3.4 Bidding process on the MMIS**

- 3.4.1 Pre-registered bidders can only capture their bids during the period when the auction will be open as announced in terms of section 3.2.
- 3.4.2 Bidding participants are verified by user ID, password and IP address and whether the bid has been authorised on the client's side.
- 3.4.3 The system also validates the input, e.g. minimum bid of R100 000.00 and in multiples of R10 000.00 thereafter.
- 3.4.4 Bidders can only view their own bids, although the SARB as the issuing agent can view all the bids.
- 3.4.5 Bidders can edit or delete bids until the close of the auction.
- 3.4.6 Bidders have the ability to download their bid information.

### **3.5 Allotment**

- 3.5.1 Allotment of Treasury Bills in respect of successful bids for each maturity is made sequentially in descending order of the prices bid, from the highest to the lowest price.
- 3.5.2 At the lowest price accepted, Treasury Bills are, if necessary, allotted on a pro-rata basis in relation to the amount available at that price. The calculation of the pro-rata allotments are made to the nearest R10 000.00 and take into consideration the different amounts tendered by each of the bidders at that price.

3.5.3 The National Treasury, through the SARB as its issuing agent reserves the right to allot less than the initial auction amount on offer for any maturities.

3.5.4 The National Treasury, through the SARB as its issuing agent also reserves the right to allot more than the initial amount on offer subject to the provision that the total amount of bids accepted and allotted in the different maturities does not exceed the total amount of bids received in those specific maturities.

## **4 TENDER RESULTS**

### **Announcement of results**

4.1.1 Results of the auctions are announced on the electronic news services, (i.e. Reuters, Bloomberg, I-Net Bridge, etc) as well as on the SARB's Website and includes the following information:

- Amount allotted;
- Amount of offers received;
- Price up to which the bids were fully allotted;
- Price at which bids were partly allotted;
- Average price;
- Highest price;
- Average rate;
- Average yield; and
- Maturity date.

## **5 SETTLEMENT**

5.1 The settlement of the normal weekly auctions is done electronically on SAMOS on a T+3 basis before 12h00. The settlement timeframe can however change in order to ensure that the settlement of the new issuance coincide with the settlement of the maturing Treasury Bills. Non-SAMOS participants settle via a settlement bank operating as their settlement agent. Treasury Bills are made available to the successful bidders once payment is received. The settlement timeframe of special auctions are as specified in the invitation for bids.

5.2 Should the settlement date of the Treasury Bills fall on a public holiday, the settlement date will be amended to the next business day.

5.3 Bidders must pay in full for the Treasury Bills allotted to them on the settlement date.

5.4 The National Treasury reserves the right to cancel any Treasury Bills not paid for by a successful bidder on the settlement date.

## **6 REPAYMENT**

6.1 Should the maturity date of Treasury Bills be declared a public holiday after their issuance, repayment of these Treasury Bills will take place on the first business day after the public holiday without interest being paid for the extra period.

6.2 Bills are not repayable prior to their maturity date.

## **7 REGISTRATION**

### **7.1 Issuing of Treasury Bills**

7.1.1 With the immobilisation of Treasury Bills, the SARB developed and implemented the Financial Instrument Register (FIR), which is a register used by the SARB to account for ownership of Treasury Bills. Treasury Bills are therefore no longer issued in physical format to successful bidders or subsequent purchasers.

7.1.2 Once settlement takes place, ownership of Treasury Bills is registered in the FIR at the SARB. Statements of FIR account holders are available daily from the Money Market Settlement Division.

### **7.2 Account Holdings**

7.2.1 FIR account holders who tender for themselves and on behalf of clients

All South African banks, branches/subsidiaries of foreign banks and mutual banks are allocated two accounts in the FIR, one for their own holdings and one for their clients' holdings.

7.2.2 Non-FIR account holders tendering on their own behalf, i.e. brokers and corporates

Non-FIR account holders or private individuals are allowed to tender, but are required to nominate a FIR account holder as their custodian. These holdings are reflected in the client account of the nominated FIR account holder, who is required to keep a record of their clients' holdings.

7.2.3 Non-FIR account holders who tender on behalf of clients

Non-FIR account holders who tender on behalf of clients are required to nominate a FIR account holder as their custodian. These holdings are reflected in the Non-FIR account holder's account with the nominated custodian. The Non-FIR account holder is required to keep a record of their clients' holdings.

### **7.3 Allocation**

7.3.1 On the day of issue, the successful bidder's FIR account, or the nominated custodian in the case of non-FIR account holders, is allocated the nominal value of the Treasury Bills allotted.

### **7.4 Transfer of ownership**

7.4.1 FIR account holders must use the MMIS to transfer ownership of Treasury Bills between themselves.

7.4.2 Non-FIR account holders must transfer ownership via the respective FIR account holders nominated as their custodians.

7.4.3 In the case of a system failure a Treasury Bill Transfer Instruction form and/or Swift message should be submitted to the SARB's Money Market Settlement Division when Treasury Bills are transferred between FIR accounts. In the case of non-FIR account holders, the Treasury Bill Transfer Instruction form and/or swift message is submitted to the Money Market Settlement Division by the respective FIR account holders who have been nominated as custodians.

## 7.5 Delivery Versus Payment (DVP)

7.5.1 The FIR only facilitates the movement of Treasury Bills between FIR accounts, but is not responsible for the movement of funds associated with the transaction.

## 8 ENQUIRIES AND ADDITIONAL INFORMATION

### 8.1 Enquiries

Any enquiries with regard to any aspect of this Information Memorandum can be forwarded to:

|   |                                       |
|---|---------------------------------------|
| SARB's Financial Markets Department<br>dealing room: (012) 313 4952               | Registration process                  |
|   | Auction announcements and invitations |
|   | Auction procedure                     |
| SARB's Financial Markets money market<br>settlement Division: (012) 313 4435/4490 | Settlement Process                    |
|   | FIR account holdings                  |
| National Treasury's Cash Management<br>Directorate: (012) 315 5703/5471/5297      | Issuance profile                      |
| <a href="http://www.reservebank.co.za">www.reservebank.co.za</a>                  | Invitations, Auction results, etc     |
| <a href="http://www.treasury.gov.za">www.treasury.gov.za</a>                      | Additional information                |

### 8.2 Additional Information

Attachments to the Treasury Bill information Memorandum

|  |                   |
|--|-------------------|
| Procedure to Register as a MMIS participant  | <b>Annexure A</b> |
| Agreement entered into by the SARB and the participant on conditions of the use of the SARB's MMIS | <b>Annexure B</b> |