

MMA MARKET OPERATIONS MANUAL

Section 3

MMA Overnight Lombard Facility

04 May 2010

1. Introduction

The purpose of the MMA's Overnight Lombard Facility is to provide short-term Rufiyaa liquidity to commercial banks against government securities as collateral.

This section contains the terms and conditions for the operation of the Overnight Lombard Facility and should be read in conjunction with the MMA Master Repurchase Agreement (MRA).

2. Eligibility

The Lombard Facility is available only to commercial banks that have signed the MRA. All transactions are conducted under the MRA signed between the commercial bank and the MMA.

3. Duration, availability, pricing and transaction amounts

The Overnight Lombard Facility will be available on an overnight basis.

The Overnight Lombard Facility is available on all banking days between 8.30 am – 2.30pm and the settlement is on the same day (T+0) by 3.30pm. The MMA will adhere strictly to these stated times.

The interest rate (Lombard rate) is set by MMA and will be published on the MMA website (www.mma.gov.mv).

The Lombard Facility is available in transaction amounts of a minimum of Rf. 1,000,000 and in multiples of the same thereafter.

4. Settlement and Confirmation

A bank wishing to access funds through the Lombard Facility must deliver a completed MMA Lombard Facility Form signed by authorized signatories, to the MMA within the prescribed time 08.30am – 2.30pm. Participants should confirm the face value of securities required by contacting the MMA in advance of the transaction.

On the Purchase date, the MMA will transfer the agreed securities from the bank's book-entry account, to the book-entry account of the MMA, and transfer the Lombard Loan, to the bank's current account at the MMA.

On the Repurchase date, the MMA will transfer the previously transferred securities, from the MMA's book-entry account, to the book-entry account of the counterparty bank, and transfer the principal plus interest from the bank's current account held with MMA to the accounts of MMA.

The Lombard facility exercised on Thursdays, interest will be charged for Friday and Saturday being weekend days. And if the Repurchase date falls on a day which is not a business day, repayment of principal and interest shall be postponed to the next business day, but in any case will incur interest for the additional day(s).

The MMA will promptly provide written confirmations for all Lombard transactions.

Key terms of Lombard transaction

- ***Purchased Price and Repurchase Price***

The Purchase Price is determined by the Seller (borrower) according to their liquidity needs. The Repurchase Price is calculated using a simple money market formula and by applying the Lombard Rate (which in the MRA is defined as the 'Pricing Rate').

Therefore;

$$\text{Repurchase Price} = \text{Purchase Price} + (\text{Purchase Price} \times \text{Lombard Rate} \times \text{days} / 365)$$

Example

If the Lombard Rate is 16 percent and Bank A seeks Rf 20,000,000 under the facility. It offers to sell Treasury bills with 5 days remaining to maturity in settlement of the transaction.

$$\text{Purchase Price} = 20,000,000$$

$$\begin{aligned} \text{Repurchase Price} &= 20,000,000 + (20,000,000 \times 0.16 \times 1 / 365) \\ &= 20,008,767.12 \end{aligned}$$

- ***Purchased Securities***

Purchased Securities are the securities that the seller (borrower) under a Lombard transaction must deliver to the buyer (lender).

Securities eligible to be delivered as Purchased Securities to the MMA are:

- Government of the Republic of Maldives Treasury bills,
- Government of the Republic of Maldives Treasury bonds,

All securities must have at least two days to maturity from the date of the transaction.

Although the MRA provides for the substitution of securities during a transaction if both parties agree, the MMA will not currently permit any such substitutions under this facility.

- **Valuation of Securities**

The MMA will add a haircut (i.e. initial margin) such that the value of securities held as collateral, will be greater than the value of funds borrowed under the Lombard Facility. This margin in the terminology of the MRA paragraph 2(d) is referred to the Buyer's Margin Percentage, and for the purposes of the Lombard Facility, is set at 110 percent.

Example

Calculation for the amount of securities required as collateral for Rf 20,000,000 Lombard loan requested by Bank A. This involves applying the Percentage of collateral (110 percent) to the Purchase Price.

$$\begin{aligned} &= 20,000,000 \times 1.10 \\ &= 22,000,000 \end{aligned}$$

MMA MARKET OPERATIONS MANUAL

Section 4

Overnight Deposit Facility

22 March 2010

1. Introduction

The purpose of the MMA's Overnight Deposit Facility is to enable the commercial banks to place their excess funds denominated in Rufiyaa, with MMA on an overnight basis upon their request.

2. Eligibility

The Overnight Deposit Facility is available only to commercial banks. All transactions will be conducted under the conditions in this Operations Manual.

3. Duration, availability, pricing and transaction amounts

The Overnight Deposit Facility will be available on an overnight basis.

The Overnight Deposit Facility is available on all banking days, and commercial banks are required to submit the Overnight Deposit Facility Form between the hours of 8.30 am to 1.00 pm and settlement is for same day value (T+0) before 1.30pm. The MMA will adhere strictly to these stated times.

If the maturity date in respect of the Overnight Deposit Facility transaction is a bank holiday, any obligation of a party to such a transaction arising on such day shall be carried out by such party on the immediately succeeding business day.

The interest rate (Deposit rate) for the Overnight Deposit Facility will be set by the MMA. Any change in the Deposit rate will be published on the web page (www.mma.gov.mv).

As of 23rd March 2010, the Deposit rate set by the MMA is 1.5% p.a.

The Overnight Deposit Facility is available in transaction amounts of a minimum of Rf. 1,000,000 and in multiples of the same thereafter.

4. Settlement and Confirmation

The commercial banks who wish to use the Overnight Deposit Facility are required to complete and submit the Deposit Facility Form signed by authorized signatories to the MMA within the

prescribed time (before 1.00 pm). The amount indicated would be placed under the Overnight Deposit Facility Account at MMA by 1.30 pm the same day.

On the maturity date, at or before 09.30 am, MMA will transfer the placements in the Overnight Deposit Facility Account together with the interest applicable to the respective bank's current account with MMA.

The MMA will promptly provide written confirmations for all Overnight Deposit Facility transactions.