MMA MONETARY OPERATIONS MANUAL

Section 2

Repurchase and Reverse Repurchase Facility

14 February 2011

2.1 Introduction

Repurchase and Reverse repurchase are conducted by the MMA as a monetary policy instrument to manage the liquidity in the banking system by mopping-up or injecting liquidity.

On the basis of an assessment of the weekly market liquidity situation, the Market Operations Committee (MOC) of the MMA will decide whether to absorb liquidity from or to inject liquidity to the market and the amount and the type of transaction under which such absorption or injection would be made.

The MMA will announce its decision to the market through the MMA website. The auction system will be used to conduct the Repurchase and Reverse Repurchase. The collateral used in these transactions will be Treasury Bonds or Treasury Bills. MMA may also decide to perform outright transactions.

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

2.2 Eligibility

Repurchase and Reverse Repurchase Facility is available only to commercial banks who have signed the MRA. All transactions are conducted under the MRA signed between the commercial bank and the MMA.

2.3 Repurchase Transactions

a. The tenure of Repurchase Transactions, until further notice will be 01 week (07 days) and 02 weeks (14 days).

b. The MOC after assessing the weekly liquidity position in the monetary market will call for bids from eligible parties from 8.30am every Monday (and 9.30am Ramal'aan) through an announcement on MMA website.

c. An eligible party who wishes to borrow under this facility is required to submit its bids to the OMO section of the MMA from 8.30am to 11.30am (and 9.30am to 11.30am Ramal'aan) the same day (Monday), giving the details of security willing to offer, maturity date, amount and the interest rate. Bids should be signed by the authorized signatories and submitted in sealed envelopes to the OMO section.

d. The bidder can submit up to a maximum of three bids for each maturity. The minimum amount of a bid shall be Rufiyaa one million and in multiples of Rufiyaa one million. MMA reserves the right to reject any bid that falls below a marginal rate decided by MMA.

e. Result of the auction will be published on the website at 2.30pm (and 2.00pm Ramal'aan) on the same day (Monday), which will contain the details of successful bids and unsuccessful bids. Individual result will also be informed to the relevant bidder.

f. For the settlement of transactions, on the Purchase Date, the MMA will transfer the agreed securities from the bidder's book-entry account to the book-entry account of the MMA, and transfer the Purchase Price to the bidder'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 bidder, and transfer the Repurchase Price from the bidder's current account at the MMA to the MMA.

g. The Purchase Price is determined by the bidders according to their liquidity needs.

h. The sell back value (Repurchase Price) will consist of Purchased Price plus the interest component which will be calculated at the rate quoted by the bidder.

i. If the Repurchase Date in respect of any transaction is a bank holiday, any obligation of a party to a transaction arising on such day shall be carried out by such party on the immediately succeeding business day.

j. If a bidder fails to honor a Repurchase Transaction after acceptance of its bids by the MMA, the bidder shall be liable to pay to the MMA as damages an amount equivalent to the difference between the Purchase Price and the Repurchase Price of the underlying securities computed in accordance with this manual.

k. In the event of a bidder failing to maintain sufficient funds in its Settlement Account to pay the Repurchase Price in full on the Repurchase Date, the MMA shall be entitled to treat the transaction as an outright purchase by the MMA and in addition, recover from the bidder damages as set out in Clause 2.3 (j) of this manual.

l. The MMA may suspend a bidder from engaging in transactions in the event of the failure of such bidder to honor a Repurchase transaction.

m. The MMA reserves the right to hold additional auctions later in the day, as it deems necessary.

n. The MMA reserves the right to:
   i. accept the full amount
   ii. accept partially an amount if the rate exceeds the marginal rate
   iii. reject an amount that exceeds the marginal rate

2.4 Reverse Repurchase Transactions

a. The tenure of Reverse Repurchase Transactions, until further notice will be 01 week (07 days) and 02 weeks (14 days).

b. The MOC, after assessing the weekly liquidity position in the monetary market will call for bids from eligible parties from 8.30am every Monday (and 9.30am Ramal'aan), through an announcement on MMA website.

c. An eligible party who wishes to invest under this facility is required to submit its bids to the OMO section of the MMA from 8.30 to 11.30am (and 9.30 to 11.30am Ramal'aan) the same day (Monday), giving the description, no. of days, maturity date, amount and the interest rate. Bids should be signed by the authorized signatories and submitted in sealed envelopes to the OMO section.

d. The bidder can submit up to a maximum of three bids for each maturity. The minimum amount of a bid shall be Rufiyaa one million and in multiples of Rufiyaa one million. MMA reserves the right to reject any bid that falls above a marginal rate decided by MMA.

e. Result of the auction will be published on the website at 2.30pm (and 2.00pm Ramal'aan) the same day (Monday), which will contain the details of successful bids and unsuccessful bids. Individual result will also be sent to the relevant bidders.

f. For the settlement of transactions, on the Purchase Date, the MMA will transfer the agreed securities from the MMA's book-entry account to the book-entry account of the bidder, and transfer the Purchase Price from the bidder's current account at the MMA to the MMA. On the Repurchase Date, the MMA will transfer the previously transferred securities, from the bidder's book-entry account to the book-entry account of the MMA, and transfer the Repurchase Price to the bidder's current account at the MMA.

g. Successful bidders should ensure that sufficient funds are available in their Settlement Account to settle the Purchase Price of securities in full at or before 12.30pm on the settlement date (i.e. Tuesday). If a bidder fails to settle a transaction in full, the bidder shall be liable to pay damages to the MMA in a sum equivalent to the difference between the sale value (Purchase Price) and the repurchase value (Repurchase Price) calculated as provided in this manual.

h. On the maturity date (Repurchase Date), the Repurchase Price of securities will be paid to the Settlement Account of the bidder against the delivery of the Purchased Securities to the MMA in the same manner as outlined in Clause 2.4 (g) of this manual.

i. Repurchase Price will consist of the Purchase Price (amount accepted) plus the interest component which will be calculated at the rate quoted by the bidder.

j. If the Repurchase Date in respect of any transaction is a bank holiday, any obligation of a party to such RRP transaction arising on such day shall be carried out by such party on the immediately succeeding business day.

k. The MMA has the right to hold additional auctions later in the same day, as it deems necessary.

l. The MMA reserves the right to:
   i. accept the full amount
   ii. accept partially an amount if the rate exceeds the marginal rate
   iii. reject an amount that exceeds the marginal rate

2.5 Interest rate

The Interest rates should be quoted to two decimal places and in the event that bids are submitted at the same rate in excess of the amount offered, the available quantum will be allocated among such bidders on a ‘pro-rata’ basis. Accordingly, the bids at the cut off rate may be partially accepted.