

MMA Market Operations Manual

Section 4

MMA Rediscount Facility

23 November 2006

Introduction

The MMA seeks to develop the secondary market in Treasury bills and as such will provide a facility to repurchase Treasury bills from eligible participants. It is hoped that over time, market participants will establish an active presence in the Treasury bill market, thus reducing the need for this facility with the MMA and eventually allowing for its removal.

Eligibility

The Rediscount Facility is available to all eligible holders of Treasury bills as defined in the most recently issued Prospectus for Treasury Bills.

Availability, pricing and transaction amounts

The Rediscount Facility is available daily between the hours of 1.00pm and 1.30pm. Settlement is on the first banking day following the transaction (i.e. T+1).

The discount rate applied to the facility is set by the MMA and is published on the web page (www.mma.gov.mv). The rate is set at a margin above the Treasury bill rate so as to provide sufficient incentive for banks to look first to other market participants before seeking recourse to the MMA.

The MMA will accept transactions for a minimum face value of Treasury bills of Rufiyaa 1,000,000 and in multiples of the same.

Settlement price

The settlement price will be determined by the same formula as that used in the issuance of Treasury bills, as stated in the Treasury bill Prospectus.

$$\text{Settlement Price} = \frac{\text{Face Value}}{1 + \left(\text{DR} \times \text{days} / 365 \right)}$$

- The applicable discount rate (DR) is determined by the MMA and published on its web page (www.mma.gov.mv).
- The number of days used in this formula is the number of days remaining from the settlement date to the maturity date.

Settlement and Confirmation

Any eligible participant wishing to rediscount Treasury bills must deliver a completed *MMA Rediscount Form* signed by authorized signatories, to the MMA within the prescribed time (1.00pm – 1.30pm). Participants wishing to confirm the settlement price of the transaction may contact the MMA in advance of the transaction.

On settlement date, the MMA will transfer the face value of the rediscounted Treasury bills from the counterparty's book-entry account, to the book-entry account of the MMA, and transfer the agreed settlement price to the counterparty's current account at the MMA.

The MMA will provide written confirmations of all Rediscount Facility transactions.