



GUIDELINES FOR SECONDARY MARKET OPERATIONS

OF

GOVERNMENT OF SIERRA LEONE

TREASURY BILLS/TREASURY BONDS

JANUARY 2020

1. INTRODUCTION

Treasury Bills/Treasury Bonds may be traded in the secondary market "over-the-counter". Primary Dealers may trade treasury bills/bonds among themselves, with their customers or with the Bank.

2a. Transfer of Treasury Bills

Primary Dealers may buy and sell treasury bills among themselves. Commercial Banks will report such transactions when they occur to the Bank, through the Central Securities Depository (CSD) System.

For Discount Houses and Other Financial Institutions, the Bank will facilitate transfer of securities between holders.

Request for transfer must be correctly and legibly written giving details of:

- The nature of the transaction underlying the transfer and specifying the security type.
- Signed by authorized signatories.
- Delivered to the Bank of Sierra Leone.

2b. Transfer of Treasury Bonds

Same provisions apply for the transfer of treasury bonds as in treasury bills.

3a. Rediscounting/Disinvestment of Treasury Bills

Commercial Banks/Discount Houses are encouraged to purchase treasury bills disinvested by their customers.

Commercial Banks should submit such transactions when they occur to the Bank, through the CSD system. Discount houses should forward a letter, addressed to the Director, Financial Markets Department, Bank of Sierra Leone with all necessary details, for action to be taken by the Bank.

However, as a last resort, the Bank may purchase treasury bills disinvested by the non-bank public.

The Bank may purchase treasury bills disinvested by commercial banks as and when necessary.

Prices of treasury bills rediscounted are anchored on the most current weighted average discount price.

3b. Disinvestment of Treasury Bonds

Same provisions apply for the disinvestment of treasury bonds as in treasury bills, with the exception of the last paragraph which reads:

"A penalty of 5% is levied on the net accrued interest earned on all disinvested bonds. The Bank reserves the right to change the penalty levied on disinvested bonds."

4a. Delivery and format of Treasury Bills disinvestment/rediscount letters

Commercial banks should send request for disinvestment of treasury bills through the CSD System.

Request for disinvestment of treasury bills from other institutional investors must be correctly and legibly written, giving the following details:

- i. the nature of the transaction
- ii. issue and maturity dates
- iii. amount to be disinvested
- iv. purchase price
- v. Signed by authorized signatories.
- vi. Hand delivered to the Bank of Sierra Leone

4b. Delivery and format of Treasury Bonds disinvestment/rediscount letters

With the exception of bullet IV, wherein purchase price is replaced with purchase rate, the same provisions apply for the delivery and format of treasury bonds disinvestment/rediscount letters as in treasury bills.

5. Interbank Repos/Reverse Repos

Commercial banks/discount houses that have signed the Master Repo Agreement (MRA) can borrow/lend funds when they are short/long at the interbank market, using treasury bills as the underlying collateral.

Only Treasury Bills with a remaining term to maturity exceeding the term of the repo/reverse repo contract should be used.

Interbank market players can undertake 1-14 days repos or reverse repos operations for their daily liquidity management.

To protect itself from market risks, lenders should apply a 10% margin to the securities delivered as collateral. E.g. A face value of Le1,100,000,000 treasury bills for a loan amount of Le1,000,000,000.

All interbank repo/reverse repo transactions should be done through the CSD System, upon agreement between counterparties, not later than 16.00hr.

Treasury bills would electronically be transferred to initial holders (borrowers) at maturity of the REPO contract.

Lenders of funds should ensure they have the requisite collateral on the contract date and the available funds by 11:00am on maturity of the repo, for settlement to be effected.

6. BSL Standing Deposit Facility Window

Commercial Banks and Discount Houses that have signed the MRA, can deposit their excess funds to BSL via this window on an overnight basis.

The transaction will be reversed the next working day, and interest paid on the nominal by the Bank.

The rate is the Monetary Policy Rate (MPR) minus a fixed spread as determined by the Monetary Policy Committee (MPC).

Commercial banks should submit their request to access the Standing Deposit Facility window through the CSD System not later than 16.30hr.

For effective implementation of the Bank's role to deepen the interbank, commercial banks **MUST** inform BSL prior to submitting their request.

In the event of non-compliance with the above rule, the commercial bank's account may not be credited with the interest earned on its funds deposited.

7. BSL Standing Lending Facility Window

Commercial Banks and Discount Houses that have signed the MRA can borrow funds from BSL via the Standing Lending Facility window, using their treasury bills as the underlying collateral.

Only Treasury Bills with a remaining term to maturity exceeding the term of the repo/reverse repo contract is accepted as collateral.

As lender of last resort, the Bank will provide liquidity via the Standing Facility window for a period of 1-7 days at the instance of counterparties (commercial banks and discount houses), but at a rate determined by the Bank.

The rate is the MPR plus a fixed margin as determined by the MPC.

Commercial banks should submit their request for standing facility through the CSD System not later than 16.30hr.

For effective implementation of the Bank's role to deepen the interbank, commercial banks **MUST** inform BSL prior to submitting their request.

In the event of non-compliance with the above rule, the commercial bank's request for funds may not be authorised by BSL, thus, rendering the transaction incomplete.

8. BSL Intra-Day Liquidity Facility (ILF)

The Bank will provide liquidity via the Intra-Day Liquidity Facility window during the day at the instance of commercial banks at zero cost to ensure smooth operations of the RTGS system.

Commercial banks accessing this window should ensure their accounts are adequately funded to reverse the transaction by close of the working day. ILF

is automatically converted into an overnight credit at the Standing Facility Rate and against eligible securities, if the counterparty fails to settle same day.

Commercial banks should submit their Intra-Day facility request through the CSD System from start of business day, but not later than 15.30hr.

9. BSL Repo Auction/Bi-Lateral Repo

BSL may conduct Repo auctions or bilateral Repo before or after the primary market treasury bills auction to withdraw liquidity from the banking system, as part of the Bank's monetary operation.

Repo auctions or Bi-lateral Repos shall be conducted at the instance of BSL, if there is an observed liquidity surplus in the market, at a fixed rate and tenure.

Commercial Banks and Discount Houses who have signed the MRA are eligible to participate in the auctions and bilateral repos. Only treasury bills with a remaining term to maturity exceeding the term of the repo transactions are eligible to be used as collateral.

The Repo auction rate/Bilateral repo rate is the MPR minus a margin as determined by the Bank/by the Bank with counterparties respectively.

The auction announcement, bid submission and processing of bids/transactions will be done via the CSD System.

10. BSL Reverse Repo Auction/Bi-lateral Reverse Repo

BSL may conduct Reverse Repo auctions or bilateral Reverse Repo before or after the primary market treasury bills auction to inject liquidity into the banking system, as part of the Bank's monetary operations.

Repo/Reverse Repo auctions or Bi-lateral Repo/Reverse Repo shall be conducted at the instance of BSL, if there is an observed liquidity shortfall in the market, at a fixed rate and tenure.

Commercial Banks and Discount Houses who have signed the MRA are eligible to participate in the auctions. Only treasury bills with a remaining term to maturity exceeding the term of the transactions are eligible to be used as collateral.

The Reverse Repo auction rate/Bilateral Reverse Repo rate is the MPR plus a margin, as determined by the Bank/by the Bank with counterparties respectively.

The auction announcement, bid submission and processing of bids/transactions will be done via the CSD System.

11. Settlement

- Settlement is on the basis of Delivery versus Payment (DvP).
- Funds are debited or credited directly to counterparty's account at BSL.

- Security transfers are simultaneously effected on the books of BSL/counterparty.
- Results will be published same day on the CSD System.

12. Resale or Repurchase on Maturity

For Reverse Repos: At maturity BSL will sell the security back to the bank/discount house at the resale price agreed upon at the initiation of the reverse repo transaction.

For Repos: At maturity BSL will repurchase the tendered security at the repurchase price agreed upon at the initiation of the repo transaction.

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