



South African Reserve Bank

Media statement

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Enhancements to the South African Reserve Bank's open market operations

The South African Reserve Bank (SARB) continuously reviews the appropriateness and effectiveness of its open market operations (OMOs), and makes amendments where necessary.

Recently, a review of the toolkit for OMOs was undertaken. Based on the review, the following changes will be introduced to OMOs with effect from 3 August 2020 to enhance the SARB's ability to manage money market liquidity conditions:

1. Debentures and Long Term Reverse Repos

- 1.1 The SARB's Debentures and Long Term Reserve Repos are offered via a competitive multiple-price auction system, where bidders are allotted at their bid yields if the bid yields are lower or equal to the cut-off yield. In the past, the cut-off yield was capped at the prevailing repurchase rate (repo rate). Going forward, the SARB will apply greater flexibility by allotting below and above the repo rate. The allocation decision will be made at the discretion of the SARB, taking into consideration the prevailing money market liquidity conditions as well as other tools at its disposal. The tenors will remain unchanged, at 7 days, 14 days, 28 days and 56 days.
- 1.2 Debenture auctions will be conducted every Wednesday between 08:30 and 10:00. In the event of a Wednesday falling on a public holiday, the auction will be conducted on the preceding Tuesday, at the same time. Long Term Reverse Repo auctions will be conducted every Monday between 08:30 and 10:00, except on public holidays.

2. Short-term buy-sell backs on a bilateral basis with commercial banks

- 2.1 The SARB will commence conducting short-term buy-sell backs, of up to one month, with commercial banks on a bilateral basis for the purposes of managing money market liquidity.
- 2.2 The buy-sell backs will be conducted on an ad hoc basis, as and when required. The quantum on offer as well as the term will be at the discretion of the SARB.

3. Monetary Policy Portfolio

- 3.1 The SARB's Monetary Policy Portfolio (MPP) has increased in size following the introduction of the bond purchasing programme at the end of March 2020. This makes the MPP an effective tool for draining and injecting liquidity on a permanent basis. The MPP will continue to be used actively to manage money market liquidity through outright purchases and sales of government bonds in the secondary market.

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