



South African Reserve Bank

## **Media statement**

**15 June 2020**

### **Implementation of collateral substitution for the South African Reserve Bank's repurchase operations**

The South African Reserve Bank's (SARB) refinancing system is the main mechanism used by the SARB to implement monetary policy. The SARB drains liquidity from the market, which is refinanced at the weekly repurchase (repo) auctions (or repos). At these auctions, the SARB provides liquidity to the commercial banks in exchange for eligible securities, which are lodged with the SARB as collateral.

In 2019 the SARB embarked on a project to enable collateral substitution in the weekly repos. In line with this, the SARB negotiated and finalised new Global Master Repurchase Agreements with its counterparts, to replace the Master Repurchase Agreements. Following a period of testing, as of 15 June 2020 the SARB will implement collateral substitution in terms of the weekly main repo operations. This will be applicable to both the one-week and the recently introduced longer-term repos. The implementation of collateral substitution will provide participants in the SARB's repo operations the flexibility to substitute securities lodged as collateral, during the lifetime of the repo. The normal criteria for eligible collateral, haircuts and margining remain applicable.

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