

**Operational Note  
March 21, 2011**

**Introducing Repurchasing Agreements to the  
CBE's Monetary Policy Operational Framework**

The Central Bank of Egypt decided on March 10, 2011 to launch regular repurchasing agreements (repo) as part of its monetary policy operational framework on every Tuesday starting March 22. The 7-day repo will be the main monetary policy operation with a fixed rate decided by the Monetary Policy Committee in its meetings. The operational procedures are as follows:

**1. The Announcement of the Repo Operation and its Results**

The repo will be announced on the Reuters screen and on the central bank's website:

- The date, amount, and maturity of the repo will be decided according to the liquidity conditions in the banking system.
- The amounts bid and accepted will be published upon allotment.

**2. Submission Procedures for the Bids**

Banks willing to participate in a repo with the central bank can submit their bids between 8 am and 11 am at the specified date of the repo operation. The bid should be 1 million Egyptian pounds or its multiples. Bids should be submitted via swift messages directed to the Investments and Foreign Relations Division at the Central Bank.

The bank should specify the nominal value and maturity date of the Treasury bills used in the repo.

The Central Bank of Egypt will credit/debit the value of the operation through the banks' current accounts at the Central Bank.

**3. Value of the Repo**

The value of the repo is specified according to the equations in the appendix.

**4. Eligible collateral**

The stock of Treasury bills for each bank prior to the date of the repo excluding secondary market operations and intraday loans conducted on the same day of the

repo can be used as collateral. The redemption date of the Treasury bills submitted should be subsequent to the date of the repo itself.

**5. The haircut announced by the Central Bank of Egypt**

The haircut used in specifying the purchasing value of the Treasury Bills is 3 percent.

**6. The case of declining an operation**

In case of insufficient collateral offered for the repo, the operation will not go through and the bank will be informed accordingly.

**7. Domestic currency liquidity ratio**

The Treasury bills used as collateral for the repo will not be included in the numerator of the liquidity ratio in domestic currency during the duration of the repo.

## Appendix

### Valuation of Treasury Bills

- The current value of the Treasury Bills used in repo operations is defined according to the following equation:<sup>1</sup>

current value =

$$\text{nominal value} * \left( \frac{1}{1 + \frac{\text{security return announced by the Central Bank of Egypt} * \text{days to maturity}}{100 * 365}} \right)$$

- The purchasing value of the Treasury Bills is defined according to the following equation:

$$\text{purchasing value} = \text{current value} * (100\% - \text{haircut announced by the Central Bank of Egypt})$$

- The repurchasing value of the Treasury Bills is defined according to the following equation:

$$\text{repurchasing value} = \text{purchasing value} + \left( \text{purchasing value} * \frac{\text{applied interest rate}}{100} * \frac{\text{number of days of the agreement}}{360} \right)$$

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<sup>1</sup> a) The result of the equation between the brackets is rounded to the fifth decimal.

b) The Central Bank of Egypt publishes daily the interest rates of all issued Treasury Bills