

IMPORTANT NOTICE

OVER THE COUNTER TRADING GUIDELINES FOR GOVERNMENT OF KENYA TREASURY BILLS

Treasury bills are not listed securities and thus the trading volume has been very low mainly due to the tedious manual process involved. To address this situation and create vibrancy in this market segment, the Bank embarked on an automation process for trading bills on Deliver Versus Payment (DvP) model using the Over the Counter (OTC) platform. This initiative achieves the following objectives:-

- i. Operationalizing the automated trading of Treasury bills will make the process secure and efficient.
- ii. All Treasury bills issued with tenors of 91, 182 and 364 days will be traded.
- iii. The operations of the OTC trading of Treasury bills will be on a Delivery versus Payment (DvP).
- iv. Settlement cycle of OTC Treasury bills trading will be same day i.e. T+0.
- v. All transactions instructions shall be communicated through SWIFT and will settle in KEPSS through the existing interface between SWIFT, KEPSS and CDS Register.
- vi. The reporting of the secondary OTC trading data will help in the pricing of the securities.

Arising from the foregoing therefore, and following the successful automation of the processing of OTC of Government Treasury bills via use of SWIFT, The Central Bank of Kenya (CBK) would like to notify all Government securities investors on the procedures for the operation of this activity which are as follows:-

1. The parties deal and agree on a unique deal reference number to be indicated in the SWIFT messages.
2. The seller to submit SWIFT MESSAGE TYPE MT 543 as per the prescribed SWIFT format quoting the deal reference number.
3. The Buyer to submit SWIFT MESSAGE TYPE MT 541 as per the prescribed SWIFT format.

4. For a non-bank CDS account, the buyer is required to fund their virtual account before submission of SWIFT MESSAGE TYPE MT 541. The funding of the virtual account is will done through the SWIFT MESSAGE TYPE MT 103 as per the prescribed SWIFT format.
5. The SWIFT message forwarded to CBK will be subjected to a validation process. Any message with discrepancies will be rejected and relayed via SWIFT back to the originating bank with an explanation of the reason for rejection and the commercial bank will be required to correct the same and get a new deal reference number before resubmission.
6. If the validation process is successful, a SWIFT confirmation message will be generated be relayed to the originating bank and the transaction will be processed.
7. Companies and Individual account holders who wish to participate in the OTC trading in Treasury bills are required to sign a '**Deed of Indemnity**' to CBK allowing their commercial banks to submit SWIFT MESSAGE TYPE MT 543 on their behalf.
8. All Treasury bills i.e. 91 days, 182 days and 364 days are eligible to trade on this platform from **one day** after value date to **5 days** to maturity date.
9. All instructions for OTC transactions should be received by CBK by latest 3.30pm of any business day to allow CBK to finalize the processing of the transaction before the Initial Cut off (ICO) in KEPSS currently set at 4.00pm.
10. The following transactions data details will be posted in CBK website:
 - Deal date
 - Security number
 - Quantity
 - Days to maturity
 - Price
 - Yield

For further details and clarification on the operation of this facility, please contact Monetary Operation and Debt Management (MODM) Division, E-mail address: (NDO@centralbank.go.ke) or call 2860000.

FINANCIAL MARKETS DEPARTMENT