



***Treasurers
meeting***

***Bucuresti
19th October 2009***



Discussions Agenda

- Interbank reversible transactions with state bonds
- Contractual framework
- New rules for bonds fixing

Objective:

- development of bonds secondary market
- more reliable fixing quotations



Interbank reversible transactions with state bonds

Why repo / rrepo / sbb / bsb ?

- **Lower counterparty exposure:**
 - DVP settlement – no delivery risk
 - Only replacement / market risk
- **Business reasons:**
 - Funding short bonds positions
 - Developing client business (FIs)
 - Increase available amounts in a certain issue needed to access BNR repo facilities
 - Possibility to borrow for longer maturities in ROBOR fixing



Interbank reversible transactions with state bonds

Issues:

- **SAFIR – clarify the property situation in repo / sbb**
- **Haircut matrix on maturities - ECB model?**
- **Contractual framework: ISMA adaptation, or local simplified contract**



Bonds fixing rules

Why new rules ?

- **Increased weight of bonds portfolios in bank's B/S**
- **Need for more reliable revaluation prices**
- **Fixing used for haircut adjustment**
- **Client demand (FIs)**



Bonds fixing rules

- **Firm quotations for 500.000 RON nominal (bid/ask) / issue**
- **Bonds quoted: latest 3-6-12m, 3-5-10y issued / reopened 3 months ago the latest**
- **Spread: max 50 bp yield**
- **Fixing hour: 12.00, firm quotations 15 min for primary dealers**
- **Settlement: T+2**
- **Fixing - weighted average of firm quotations of primary dealers, updated that day**



Bonds fixing rules

- **No bonds in portfolio at fixing:**
 - Replacement with a similar issue if mutually accepted (+/- 1 month tbills, +/- 6 months bonds), or
 - No obligation to quote firm offer, only bid, or
 - Obligation to quote firm offer, if repo market developed enough, allowing to cover short position
- **Obligation to deal:**
 - One deal with each participant for any of the issues quoted firm (even entering short), or
 - Possibility not to deal if stock of bonds was sold (no short position entered)



Bonds fixing rules

- Spread increase (x2) if bid yield differs with more than 200 bp compared to last auction average
- Formalization of rules:
 - Agreement signed by primary dealers
 - Supervision: BNR



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