

**NO. SFW 1-02/FMO**  
**STANDING FACILITIES WINDOW**

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**PART I: SHORT TITLE, AUTHORISATION, APPLICATION AND DEFINITIONS**

SECTION

1: Short Title - Standing Facilities Windows

2: Authorisation- Section 4(g) and 46 of the Reserve Bank Act 1989, Cap 44:02,

3: Applications - All commercial banks (including discount houses) registered as such under the Banking Act 1989.

4: Definitions - The following terms shall be defined as specified below, unless the context in which such term is used requires otherwise:-

(i) "Eligible Institutions" - all commercial banks and discount houses registered as such under the Banking Act 1989..

(ii) "Eligible Securities" - all securities which the Reserve Bank of Malawi (the Bank) may repurchase under its Standing Facilities.

(iii)"Repurchase" - a collateralized loan whereby the borrower undertakes to buy back the underlying or lodged securities at the same face value or price on a specific future date. The ownership of the security does not, therefore, change.

## **PART II OBJECTIVES**

The objective of this Directive is to ensure that accommodation of eligible institutions by the Bank is done in line with monetary policy considerations without undermining the need to ensure a smooth payments and clearing system.

## **PART III: PROCEDURES TO BE FOLLOWED**

### **SECTION**

1: Facilities – For the time being, Bank lending to eligible institutions shall be done only through repurchases of eligible securities.

2: Access – Eligible institutions shall apply for accommodation using the form in Appendix 1. Provision of accommodation shall be made on last resort basis and shall take into account monetary policy considerations and soundness of the applicant.

3: Terms – Accommodation shall be provided at the ruling Bank rate.

4. Eligible Securities – For the time being, the eligible securities are the Malawi Government Treasury Bills, Reserve Bank of Malawi Bills, commercial paper issued or underwritten by commercial banks and Bankers Acceptances. The eligible securities may change without amendment to this directive.

5: Operational Rules - The following operational rules shall apply at the Standing Facilities window:-

(i) Deals shall be transacted over the phone between 09:00 and 16:00 hours each working day.

(ii) Deal confirmation must be received within 15 minutes after the deal.

(iii) Deal confirmation for repurchase shall be in format of Form R1 attached

(iv) Repurchases shall be for a minimum of overnight and maximum of seven (7) days.

(v) For clarity, the pledged securities shall not mature during the life of the repurchase transaction.

(vi) On purchase date, the Bank shall credit the applicant's operating account in CRISP by close of business day with the amount

borrowed. On the repurchase date, the applicant shall credit the Bank's CRISP settlement account with the amount of repurchase and the

Bank will arrange to transfer back the pledged securities to the applicant.

(vii) Eligible institutions may repurchase the securities on demand by completing Form R2. The Bank will then refund interest for the period

from the date of repurchase to the original repurchase date.

(viii) In all transactions the underlying security shall be delivered against receipt of funds. Where the underlying securities have been issued in

book-entry form, delivery of appropriate documentation shall suffice. Securities may be delivered at the Head Office or its Blantyre

Branch.

#### **PART IV: REMEDIAL MEASURES**

The Bank shall take appropriate action in order to discourage frequent or continuous recourse to the Facility. Shortages of funds, which are likely to be protracted should, therefore, be addressed through other means.

#### **PART V: EFFECTIVE DATE AND SUPERSEDEANCE**

This Directive becomes effective on November 18, 2002 and supersedes Directive No. DO1-98FM.

Questions relating to this Directive should be addressed to the Director, Financial Market Operations Department of the Reserve Bank of Malawi.

**Dr E E NGALANDE**  
**GOVERNOR**  
**November 2002**