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BANK OF ZAMBIA  
P O Box 30080 Lusaka  
10101

20 March 2001

CB Circular No. 15/2001

To: All Commercial Banks and Authorised Dealers

Dear Sirs/Madams

### INTRODUCTION OF MULTIPLE PRICING FOR TREASURY BILLS

Reference is made to circular SCH/CB/7/97 dated 12 July 1997 in which the Bank of Zambia advised commercial banks of the introduction of the Book Entry System (BES) and marginal price auctions.

The Bank of Zambia wishes to advise all commercial banks and authorised dealers that with effect from Treasury bills Tender number 13/2001 to be held on 22 March 2001, the multiple price (Dutch auction) auction will be reintroduced to replace the marginal auction system that has been operating since the introduction of the Book Entry system. All successful bidders will be awarded the Treasury bills at the price at which they bid.

The reintroduction of multiple price auctions will have implications on both the primary and secondary market operations of Treasury bills.

1. The Bank of Zambia shall prorate bids at the cut off price. This means that the Bank of Zambia will be able to issue Treasury bills up to the amount advertised on each portfolio at face value. If more than one applicant submit bids at the same price, which happens to be the cut off price, the Bank of Zambia will allocate to each participant proportionate amounts of Treasury bills that will add up to the amount advertised on each portfolio.
2. The system will store the original price at which each participant purchased the Treasury bills as shown on the award notice. This price will be propagated throughout the lifetime of the Treasury bill.
3. When transactions such as Outright Sale/Purchase, Repurchase/Reverse repurchase, Pledge/Release of collateral and transfers to the customers accounts are undertaken, participants will be required to indicate the security by the

auction number and the original purchase price as advised on the award notice. The pledgee will be required to quote the correct information as per certificate issued by the Bank of Zambia when returning the Treasury bills to the pledgor.

4. The new book entry system has multiple collateral accounts. This will allow the participants to clearly indicate as to whom the Treasury bills are being pledged. The different collateral categories are:-
  - a) Bank of Zambia QMO
  - b) Zambia Electronic Clearing House
  - c) Name of counterparty (individual/corporate)
  - d) Interbank – name of commercial bank
5. All participants operating customers' accounts shall be required to submit a customers' holding return electronically via email. The electronic return shall be in excel which will then be imported into the book entry system for the Bank of Zambia to update records of customer securities holdings. **This return must be submitted to Financial Markets, Securities Division at the end of each business day.** The requirement to physically submit a hard copy weekly on Mondays will remain in force until further notice. The information on the electronic return must be as follows:
  - a) First column should indicate the participant's name.
  - b) Second column must show the tender number. The tender numbers should be arranged in an ascending order.
  - c) Third column must indicate the individual customer's name.
  - d) Fourth column must show the amount per customer.
  - e) Fifth column must capture the original purchase price of the security.
  - f) The return should be forwarded to the following email address: [securities@boz.zm](mailto:securities@boz.zm)

Find attached a sample copy of the return to be submitted.

All other conditions governing the Treasury bills operations remain unchanged.

Yours faithfully



**Dr. Abraham Mwenda**  
**DEPUTY GOVERNOR - OPERATIONS**

### SAMPLE OF ELECTRONIC RETURN

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