



BANK OF ZAMBIA

Tel: 228888/228903

P O Box 30080
Lusaka 10101

13 August, 2001

CB Circular No. 23/2001

To: All Commercial Banks

Dear Sirs/Madams

**OPERATING RULES AND GUIDELINES FOR GOVERNMENT SECURITIES TENDER AND
OFF TENDER TRANSACTIONS**

Reference is made to CB Circular No. 21/2001 regarding the above mentioned subject.

Kindly be advised that Clauses 7.5 and 13.5 have been corrected to read as follows:

*"Participants shall be allowed to submit up to a maximum
of three (3) bids, one (1) per maturity category per tender".*

Yours faithfully

ABRAHAM MWENDA (DR)
DEPUTY GOVERNOR - OPERATIONS

an account in the BES by completing and submitting the **CDSBES Form 1**. This form shall be completed in duplicate and is obtainable at the Bank of Zambia.

6.0 Term to maturity

- 6.1 Currently, the Bank of Zambia issues Government bonds in three maturity categories namely **12 months, 18 months, and 24 months**.

7.0 Tender procedure

Tender invitation

- 7.1 Government bond tenders are held on Fridays every four to six weeks after the latest auction. The specific dates of the bond tender shall be announced in the national press. In the event that Friday is a public holiday participants shall be informed accordingly. The announcement of the tender amount shall be made through the national press two weeks prior to the tender day.

Lodging of applications

- 7.2 Each maturity category has its own application form namely **FM-RS-BA 1** (12 months), **FM-RS-BA 2** (18 months) and **FM-RS-BA 3** (24 months). These forms can be obtained from the Bank of Zambia, Financial Markets Department.
- 7.3 Duly completed application forms bearing the applicant's signature (two authorized signatories for corporate institutions) must be deposited in the tender box marked "**GOVERNMENT BOND TENDER BOX**" at the Bank of Zambia by 10:00 hours on the tender day.
- 7.4 For participants without clearing accounts at the Bank of Zambia, each application must be accompanied by the guarantee form **BOZ-ST-G** signed by **authorized signatories** from the settlement bank. Note that the details on form **BOZ-ST-G** should be the same as indicated on **CDSBES Form 1**.
- 7.5 Participants shall be allowed to submit up to a maximum of Three (3) bids, one (1) per maturity category per tender.
- 7.6 Once the tender box has been opened, no application form can be withdrawn. Written notification to withdraw an application should be made before 10:00 hours on the auction day.

- 13.4 Off tender transactions shall be conducted through the Bank of Zambia's authorized Agent(s). For further details, investors wishing to participate on the off tender window should contact the Agent(s).
- 13.5 Participants shall be allowed to submit up to a maximum of Three (3) bids, one (1) per maturity category per off tender.
- 13.6 The Bank of Zambia maintains and processes all Government bond transactions through the BES. All Government bond records are stored and processed electronically. This means that no physical certificate shall be issued for any Government bond purchased. However, the Bank of Zambia shall issue award notices to all successful participants through the Agent(s).
- 13.7 All Government bonds issued on the off tender shall be credited to the customers' account of the Agent(s) in the BES. The Bank of Zambia shall notify the Agent(s) of the total amount of government bonds credited to their customers' account.

14.0 Term to maturity

- 14.1 Currently, the Bank of Zambia issues Government bonds in three maturity categories namely **12 months, 18 months and 24 months**.

15.0 Application procedure

- 15.1 Government bond off tender sales shall be held on Friday every four to six weeks based on the previous competitive auction. In the event that Friday is a public holiday participants shall be informed accordingly.
- 15.2 Participants shall submit applications to the Bank of Zambia's Agent(s) by Thursday. The Agent(s) shall in turn submit a detailed list of all applicants to the Bank of Zambia for processing by 10 00 hours on Friday.
- 15.3 Once the list is submitted to the Bank of Zambia no alterations shall be accepted. Withdrawal of applications shall be made before the Agent(s) submit the list to Bank of Zambia.

Pricing mechanism and allotment

- 15.4 The Bank of Zambia shall allocate Government bonds at a pre determined weighted average annual yield rate from the previous competitive auction.
- 15.5 The Bank of Zambia reserves the right to change the pricing mechanism as and when deemed necessary. Adequate notice will be given to all participants of any change in the pricing mechanism.