



South African Reserve Bank

Media Statement

20 March 2020

Changes to the money market liquidity management strategy of the South African Reserve Bank

In recent days, as financial markets have come under increased pressure with the spread of the COVID-19 pandemic, the South African Reserve Bank (SARB) has observed liquidity strains in various funding markets. These strains have necessitated a review of the liquidity management strategy, and therefore the following changes in the application of the open market operations will become effective as at 20 March 2020:

1. Intraday Overnight Supplementary Repurchase Operations
 - 1.1. The SARB will, through its Open Market Operations Desk, conduct Intraday Overnight Supplementary Repurchase Operations (IOSROs) to provide intraday liquidity support to clearing banks. These auctions will be conducted daily at 10:00 and 13:00, except on Wednesdays, when the main repurchase transaction is conducted. IOSROs will be carried out through a fixed-rate auction with a pro-rata allotment, with an interest rate that is equal to the repurchase (repo) rate. The amount on offer will be decided on the day in line with the prevailing money market liquidity conditions. The end-of-day supplementary facilities will no longer be offered.
2. Weekly Main Refinancing Operations
 - 2.1. The additional money market liquidity provided to clearing banks via the IOSROs will result in the current money market shortage (MMS) declining below the current target level of R56 billion. The size of the Main Refinancing Operations (MROs) will be kept at R56 billion. However, if deemed necessary, the size of the MROs will be increased in line with the average daily allotment of the IOSROs in order to provide the average daily liquidity demand over a week.
3. Standing Facilities
 - 3.1. The effectiveness of the SARB's open market operations is dependent on a well-functioning interbank market. Thus, interbank lending and lending across funding markets

is strongly encouraged, as it facilitates the flow of money market liquidity within the banking system. Therefore, the Standing Facilities (SF) borrowing rate – the rate at which the SARB absorbs liquidity – will be adjusted to the repo rate less 200 basis points, from the current repo rate less 100 basis points. The SARB deems this change necessary in order to encourage the flow of money market liquidity.

- 3.2. The SF lending rate – the rate at which the SARB provides liquidity to the commercial banks – will be adjusted lower to the repo rate, from the prevailing rate of the repo rate plus 100 basis points. This will support banks to facilitate their flow of money market liquidity without being penalised.

Any changes to the liquidity management strategy by the SARB should not be construed as providing any signals with regard to the future monetary policy stance. The changes to the liquidity management strategy by the SARB are effective immediately and will be assessed on a continual basis.

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Issued by the SARB media relations