



South African Reserve Bank

Media statement

8 May 2020

Amendments to the list of eligible collateral pledged at the South African Reserve Bank for refinancing operations

The South African Reserve Bank (SARB) conducts repurchase (repo) operations on a weekly and daily basis with clearing banks, wherein participants receive cash to the value of an accepted bid in a repo auction. In order to protect the SARB against credit and market risks, commercial banks have to provide the SARB with securities with an adjusted market value ('haircut valuation'). The list of eligible securities for use as collateral consists of statutory liquid assets as defined in the Banks Act 94 of 1990. Statutory liquid assets consist of:

- Government bonds (rand-denominated);
- Separate Trading of Registered Interest and Principal of Securities (STRIPS);
- SARB debentures;
- Treasury bills; and
- Land Bank bills.

In light of recent developments surrounding the Land Bank, including the downgrade of the Land Bank credit rating and the subsequent debt default, the SARB has taken a decision to temporarily suspend Land Bank bills as eligible collateral in its repo operations. The suspension will remain in place until such time that the Land Bank has resolved its liquidity challenges. This amendment will be effective from 13 May 2020. The SARB will continue to monitor developments as they unfold and communicate any changes to this decision accordingly.

We trust for a speedy and firm resolution to the crisis facing the Land Bank, recognising the vital role that it plays in the South African economy and, in particular, the contribution it makes to the agricultural sector.

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Issued by SARB Media Relations