



# FINANCIAL MARKETS ASSOCIATION OF PAKISTAN

City Treasury Management Group  
National Bank of Pakistan  
NBP Head Office  
1st Floor,  
I. I. Chundrigar Road,  
Karachi-74000, Pakistan.  
Affiliated with ACI

January 08, 2003

President  
**Nasim Akbar**  
Country Treasurer  
Masrbq Bank psc

Secretary  
**Masroor A. Qureshi**  
AVP & Head of Money Markets  
National Bank of Pakistan

Assistant Secretary  
**Kamran Chughtai**  
Assistant Vice President  
Citibank N.A.

Treasurer  
**Shah Mirza Ali-Ullah Khan**  
Treasurer  
Pak Ocean Investment Co. (Pvt) Ltd.

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Sajida Faruq  
AVP / Chief Dealer  
Tijjo Bank of Punjab

Simra Hashim  
Chief Dealer Money Markets  
Domeq Bank Ltd.

Head of Treasury  
All Banks/NBFIs  
All MM brokers

Dear Sir,

## Sub: FIB / PIB Repo / Reverse Repo Base Price Calculations.

In continuation to FMA's letter dated January 6, 2000 where base price calculations for T-bills were outlined, it has been decided by the FMA to implement a market convention for Repo / Reverse Repos against Pakistan Investment Bonds ("PIB") and Federal Investment Bonds ("FIB").

Base price for Repo / Reverse Repos will be calculated at prevailing market price of the underlying security as quoted on PKRV Reuters page. This will help reduce significant counterparty risks for customers entering into Repo transactions.

The Base price against PIBs and FIBs will be calculated as it is done in calculating settlement amount in outright sale and purchase transactions. The base price will be at market value as per the PKRV level and include the accrued interest up to the day of the Repo settlement day. For example the base price of the 10-year PIB, issue of 31 December 2002 for Repo starting on 7<sup>th</sup> January 2003 will be 130.1071 (PKRV price at 5.13% which is 129.9340 and add accrued interest from last coupon till Repo date which is 0.1740). Second price will be calculated by adding interest of the Repo deal to the base price. For example 1-month deal at 5% will result in a second price of 130.6605 [5% interest for 31 days i.e.  $130.1080 \times (1 + 5\% / 365 \times 31)$ ]. Base price calculations for forward transactions will include accrued interest till the starting settlement date of the Repo transaction however PKRV rate will be of the transaction date.

Haircuts or margining in Government Securities, if any (PIBs, FIBs or T-bills) will be at the mutual consent of the two counterparties.



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At present the panel of six money market brokers quoting market rates for different tenors are:

- ✓ A. M. Z. Securities
- ✓ Invest Capital Securities
- ✓ Jahangir Siddiqui
- ✓ Khadim Ail Shah Bulcheri
- ✓ Elixir
- ✓ BMA Securities

FMA has also revised the tenors quoted on PKRV Reuters page of as follows:

- 0 - 7 days
- 8 - 15 days
- 16 - 30 days
- 61 - 90 days
- 91 - 120 days
- 121 - 180 days
- 181 - 270 days
- 271 - 365 days
- more than 1 year up to 2 years
- more than 2 years up to 3 years
- more than 3 years up to 4 years
- more than 4 years up to 5 years
- more than 5 years up to 7 years
- more than 7 years up to 8 years
- more than 8 years up to 9 years
- more than 9 years up to 10 years

Each broker is requested to send the rates for the above tenors to Citibank as per the previous guidelines. Please note that this PIB/FIB pricing formula will be effective from January 11, 2003. For any assistance please contact the undersigned.

Yours Sincerely,

*Saastub Chughtai*  
Saastub Chughtai  
Assistant Secretary  
FMA

*Masroor Ahmed Qureshi*  
Masroor Ahmed Qureshi  
Secretary  
FMA

Cc Farhat Saeed, Executive Director, SBP  
Muhammad Shakir, Director EDMD, SBP  
Jameel Ahmed, Director BSD, SBP