



FINANCIAL MARKETS ASSOCIATION OF PAKISTAN

C/o Treasury Management Group
National Bank of Pakistan.
NBP Head Office
1st Floor,
I.I. Chundrigar Road,
Karachi-74000, Pakistan.
Tel : 9212842, 9212704
Fax : 9211439, 9211440
Affiliated with ACI

April 22, 2003

REVISED

President
Nasim Akbar
Country Treasurer
Mashreq Bank pac

Secretary
Masroor A. Qureshi
SVP & Head of Money markets
National Bank of Pakistan

Assistant Secretary
Saashah Chughtal
Resident Vice President
Citi Bank N.A.

Treasurer
Rehan Ateeq
Manager Treasury
Prime Commercial Bank Ltd.

MEMBERS EXECUTIVE COMMITTEE

Faisal Anwar
Dealer FX
Muslim Commercial Bank Ltd..

M. Javaid Alam
Chief Manager & Chief Dealer
Habib Bank AG Zurich

Shuja Haider
Chief Dealer Money Markets
Soneri Bank Ltd.

Mohd. Rizwan Malik
Dealer Money Markets
Habib Bank Ltd.

Nazia Enam Siddique
Country Treasurer
Orit Investment Bank Pakistan Ltd.

Head of Treasury
All Banks/NBFIs
All MM brokers

Dear Sir,

Sub: Government Bond 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 Government Bonds (Pakistan Investment Bonds ("PIB") and Federal Investment Bonds (FIB)).

Base price for Repo / Reverse Repos will be calculated at the 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 will not include the accrued interest. For example the base price of the 10-year PIB, issue of 26 March 2003 for Repo starting on 22nd April 2003 will be 130.8102 (PKRV price at 5.02%). Second price will be calculated by adding interest of the Repo deal to the base price. For example 2-month deal at 2% will result in a second price of 137.2618 (2% interest for 63 days i.e. $130.8102 \times 2\% / 365 \times 63$).

Base price calculations for forward transactions will also use the relevant tenor's PKRV rate as on 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.

The new PIB pricing will come into effect from 12th May 2003.



FINANCIAL MARKETS ASSOCIATION OF PAKISTAN

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

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 Bukhari
- Elixir
- BMA Securities

Tenors on PKRV Reuters page are 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.

Yours Sincerely,

Saashah Chughtai
Assistant Secretary
FMA

Masroor Ahmed Qureshi
Secretary
FMA

Cc Farhat Saeed, Executive Director, SBP
Zafer Sheikh, Head of Treasury, SBP