GUIDELINES FOR OPERATION OF THE INTERBANK HORIZONTAL REPO TRANSACTIONS

TABLE OF CONTENTS

1: INTRODUCTION

i) OBJECTIVE:

These guidelines are intended to set out operational procedures for the Government of Kenya Securities inter-bank Horizontal REPO Transactions (HRT) market as governed by the Master Repurchase Agreement (MRA) executed and exchanged by commercial banks.

These guidelines may be revised from time to time so as to cater for developments in the financial markets.

ii) SCOPE

To achieve Delivery versus Payment (DvP) for the CBK internal systems, particularly by creating interfaces between KEPSS, Banking Ledger and the National Debt Registry CDS system that will be linked to guarantee prompt settlement of trades, delivery of securities and facilitate effective functioning of the Horizontal Repo.

Settlement in KEPSS will take place simultaneously against movement of securities in the CDS accounts.

All transaction instructions shall be effected through SWIFT. However, as a fall back strategy in case of system failure, there will be a provision for manual processing which will be subject to transactional charges as determined by CBK.

In this situation the borrowing bank will fill out the standard CBK sale confirmation form and the lending bank fills out the purchase confirmation form with all the HRT details. These forms will be forwarded to the MO & DM help desk for processing. On verification of the forms, pledged securities will be booked awaiting manual settlement of the funds borrowed in the Banking Department and upon confirmation of settlement; MO & DM will transfer the booked securities to the Repo CDS account of the lender. The same procedure will apply for reversal of the HRT, on maturity.

NB**:** *for all initial HRT instructions conveyed on manual forms, any subsequent instructions affecting the initial underlying Repo, must be conveyed manually with participants quoting the transaction reference number as contained in the initial transaction sale form.*

iii) ELIGIBILITY

For the purposes of these guidelines, this facility will initially only be available to commercial banks that have executed and exchanged on a bilateral basis the prescribed Horizontal Repo Master Repurchase Agreement and advised the Central Bank of Kenya of the same. Consideration to include any other category of investors to participate in this facility will be a subsequent phase of the project.

This Repo being introduced will only apply to both classic and buy sell backs Repos. The applicable 'Securities' will be Government Securities (Treasury bills and bonds). Accordingly, other financial instruments will not be utilised at this stage. The Horizontal Repos Transactions will be for specified term with both Treasury bills and bonds being allowed to be offered as collateral for the initial and subsequent Repo transactions.

As provided under the MRA the processing systems and related infrastructure that has been developed will cater for the minimum features as spelt out in the agreement save for minor variations as set out and explained in the **supplementary annexure no 1** of the agreement. Some of the key features catered for in the system include securities Substitution, Margin Maintenance *(also as referred to as top up)*, re-pricing etc. The system also has the capability of dealing with both classic and buy/sell back Repos.

iv) INTEREST/COUPON PAYMENT

Coupon interest due for a HRT shall be paid to the seller in the usual manner applicable to other coupon payments for Government securities.

NB: Guidelines pertaining to closure of CDS register for interest payment/redemption for both Treasury bills and bonds as currently in force will apply for HRT i.e. Two (2) working days for Treasury bonds and one (1) working day for bills and in line with the current policy on investments and trading in Government securities the minimum allowable amount for HRT will have to be in multiples of Kenya Shillings Fifty Thousand.

v) PROJECT MANAGEMENT

The RTGS interface portal will process all transactions related to Horizontal Repos. The system will be managed by Monetary Operations & Debt Management Department (National Debt Registry).

Any queries relating to transaction processing and operations of Horizontal Repo Transactions should be referred to the Director, Monetary Operations & Debt Management Department (HRT Help Desk).

2: TRANSACTION PROCESSING FOR FIXED TERM HRT REPO

i) SWIFT MESSAGE TYPES

Participant banks transacting the Horizontal Repo shall transact among themselves by sending to CBK SWIFT MESSAGE TYPE MT 543- DELIVER AGAINST PAYMENT and Swift message type MT 541- RECEIVE AGAINST PAYMENT

- A commercial bank that will be borrowing funds through the HRT will send to CBK, SWIFT MESSAGE TYPE MT 543- DELIVER AGAINST PAYMENT.

- A commercial bank that will be lending funds through the HRT will send to CBK SWIFT MESSAGE TYPE MT 541- RECEIVE AGAINST PAYMENT

- The two messages will be matched in the system i.e. the MT 543 from the borrowing bank will be compared to MT 541 from the lending bank.

- If matching results test negative the transaction will be rejected in the system and SWIFT message type MT 548 – SETTLEMENT ADVICE PROCESSING will be relayed to the affected parties giving the appropriate reason for rejection

- If matching results test positive, the system will allocate a deal reference number and the HRT will be executed by booking securities, and moving funds to KEPSS via the Banking Ledger and RTGS Interface Portal.

- After automated processing i.e. after all the transfers have been delivered in CDS accounts and settlement has taken place in KEPSS, the commercial bank that has borrowed funds through the HRT will receive confirmation from CBK, SWIFT MESSAGE TYPE MT 547- DELIVER AGAINST PAYMENT CONFIRMATION

- The commercial bank that has lent funds through the HRT will receive confirmation from CBK; SWIFT MESSAGE TYPE MT 545- RECEIVE AGAINST PAYMENT CONFIRMATION. Thereafter, transfer of securities will take place in the CDS accounts.

(See applicable SWIFT Message Template in Appendix 1)

ii) TRANSACTION ENTRIES

Counterparties deal for a HRT.

A borrowing bank engaging in a HRT will be required to identify unencumbered securities from its portfolio holdings in their CDS account held in CBK

A lending bank engaging in a HRT will be expected to ensure that it’s clearing & settlement account is adequately funded to cater for the HRT.

- Parties to the HRT execute instructions by transmitting the appropriate SWIFT messages as detailed above to CBK i.e. MT 543 for borrower and MT 541 for lender

- The messages once received in CBK via SWIFT will be routed to the CBK RTGS Interface Portal for authentication, validation and matching.

- If matching results test negative, the transaction is rejected, and reason for rejection communicated to both parties via MT 548 giving the appropriate reason for the rejection.

- Counterpart banks will then correct the error(s) based on the advice received from CBK via SWIFT and transmit HRT message afresh with new deal reference number.

- If matching results test positive, automated processing by the system will process the transaction in real time in CBK by booking securities in the CDS, raising the related participant HRT entries in KEPSS and, upon settlement, move securities in the CDS by debiting the borrowers main CDS account and crediting the lenders REPO CDS account.

- A CDS transaction deal reference number will be allocated to every matched transaction. This is the number to be used under field ***20C:: PREV// of MT:540 and 542*** for both securities Margin Maintenance and Substitution.

- Movement in the CDS accounts will involve transaction type **18- HRT REPO creation and transaction type 19- HRT REPO reversal.**

- On settlement in KEPSS, confirmation message MT 545 will be sent to the lending bank and MT 547 to the borrowing bank confirming the completed DVP transactions

- The counterparties can also confirm the settled HRT entries in KEPSS reports

- Statements of account for movements reflected in the CDS accounts will also be provided to the dealing parties by CBK.

- On Settlement date, the system will automatically process transactions and commercial banks will be expected to monitor their maturing HRT on due dates.

- On completion of the HRT reversals, confirmation message MT 547 will be sent to the lending bank and MT 545 to the borrowing bank confirming the completed DVP transactions.

- Statements of account for movements reflected in the CDS accounts will also be provided to the dealing parties by CBK.

3: TRANSACTION PROCESSING FOR MARGIN MAINTENANCE OR TOP-UPS

i) DESCRIPTION OF THE PROCESS

This involves the Marking of REPO to Market on a daily basis. This is done by way of Top-Ups also called Variation Margin. This serves to ensure that the value of collateral a counterpart is holding is maintained at a level equal to the current market value of the collateral. Counterparties call for Variation Margin (Top-Ups) is a common method of reducing the mark to market exposure. Such securities will be delivered free of cash.

The operating system in place for HRT allows for a hybrid of securities of varied tenure, issue number and type (bonds/bills) to be utilized for Margin Maintenance (top up). Where marking to market results in a cash margin, the arising transaction is to be handled outside this system by way of cash payment by participant via KEPSS for the cash margin.

ii) SWIFT MESSAGE TYPES AND TRANSACTION ENTRIES

- Counterparties deal for a Margin Maintenance securities movement transaction.

- Parties execute Margin Maintenance deals by transmitting the appropriate SWIFT messages as detailed in appendix 2 of these guidelines to CBK i.e. MT 542 for the Borrowing Bank and MT 540 for the Lending Bank with appropriate linkage to the **Previous** underlying Horizontal REPO Transaction by quoting the transaction deal reference number as advised in the SWIFT acknowledgement for the underlying HRT.

- The messages once received in CBK via SWIFT will be routed to the CBK RTGS Interface Portal for authentication, validation and matching.

- If matching results test negative, the transaction is rejected, and reason for rejection communicated to parties via MT 548 giving the appropriate reason for the rejection.

- Counterparty banks will then correct the error(s) and transmit again with new Deal reference number.

- If matching results test positive, automated processing by the system will process the transaction as follows;
- Allocate a Deal Reference number for CDS transaction, then

- Move the transaction to the CDS by creating a CDS Securities **transaction type 20 (HREPO Top Up)** debiting the Borrowing Bank CDS account and moving to the Lending Bank CDS REPO account.

- Once processing is complete, the system will send confirmation message MT 544 to the lending bank and 546 to the borrowing bank confirming the completed transactions.

- Hard Copy statements will be issued by CBK

(See applicable SWIFT Message Template in Appendix 2)

4: TRANSACTION PROCESSING FOR SECURITIES SUBSTITUTION

i) DESCRIPTION OF THE PROCESS

The preference of the market would be a structure which allows the Borrower/Lender to substitute securities offered as collateral during the lifetime of the REPO. The MRA requires that the securities utilized for substitution of securities offered in the initial Repo should be "equivalent securities" in terms of same issuer, part of the same issue; of an equivalent type nominal value, description and amount.

ii) SWIFT MESSAGE TYPES AND TRANSACTION ENTRIES

- Counterparties will deal two Securities Substitution movement transactions.

- The parties execute by transmitting the appropriate SWIFT messages as detailed in appendix 3 to CBK i.e. MT 542 for the Borrowing Bank indicating the new securities substituting the securities held under the **Previous** underlying HRT and MT 540 for the Lending Bank indicating the securities to be substituted i.e. the securities held under the **Previous** underlying HRT with appropriate linkage to the **Previous** underlying Horizontal REPO Transaction by quoting the deal reference number for the initial HRT. The Securities Substitution instructions will operate in a kind of swap basis **BUT** the substituting securities must be "cleared" by the CBK CDS system as being un-encumbered, sufficient and equivalent in value to that of the securities held in the underlying Repo.

- The messages once received in CBK via SWIFT will be routed to the CBK RTGS Interface Portal for authentication, validation and matching.

- If matching results test negative, the transaction is rejected, and reason for rejection communicated to parties via MT 548 giving the appropriate reason for the rejection.

- Counterpart banks will then correct the error(s) and transmit again with new Deal reference number.

- If matching results test positive, automated processing by the system will process the transaction as follows;

- Allocate a Deal Reference number for CDS transaction. Then,

- Move the transaction to the CDS by creating a CDS Securities **Transaction Type 21 (HREPO Substitution)** debiting the Borrowing Bank Main CDS account and moving the value of substituting securities to the Lending Bank CDS REPO account. Simultaneously debit the Lending Bank CDS REPO account and credit Borrowing Bank CDS Main account with the value of the substituted securities to release them back to the borrower.

- Once processing is complete, the system will send confirmation message MT 544 to the lending bank and 546 to the borrowing bank confirming the completed transactions.

- Hard Copy statement will be issued by CBK.

(See applicable SWIFT Message Template in Appendix 3)

5: OTHER RELATED GUIDELINES

i) TRANSACTION TIMINGS

- Horizontal Repo Transactions deals between commercial banks will be conducted between 10.30 am and 3.30 pm.

- Horizontal Repo Transaction settlement must be concluded by 3.30 pm

- Transactions messages not matched and/or received by the final cut off time of 3.30pm will be rejected and nullified by the system.

- KEPSS rules and regulations regarding transaction settlement cut off times and any variations thereto; will apply.

ii) HORIZONTAL REPOS AND LIQUIDITY RATIO COMPUTATIONS

For the purpose of Liquidity Ratio computations **only,** Horizontal Repos shall be treated similar to collateralized inter-bank lending. In this regard, the liquidity treatment will be in line with the requirements of Prudential Guideline CBK/PG/05, which is as follows:

- The securities utilized will not be eligible as liquid assets for the borrowing and lending banks.
- For the borrowing bank, the amounts received would be eligible as liquid assets but will excluded from balances due to other banks.
- For the lending bank, the amounts due from the other banks should be included in the balances due from these banks.

iii) DISPUTE RESOLUTION MECHANISM

Should disputes arise over Repo transactions, the counterparties concerned should try to resolve them amicably between themselves. If the parties are unable to amicably agree and either party elects to pursue court action, the parties shall in accordance with Clause 17 of the MRA, submit to the jurisdiction of the Courts of Kenya and be subjected to the Laws of Kenya.

iv) FAILED TRANSACTIONS

A “Failed” transaction (“Fail to Deliver” or “Fail to receive”) is a situation whereby, a repo securities seller/cash borrower has not delivered securities to the securities buyer/cash lender, in a timely manner; It is usually a delay in settlement as opposed to a default.

In the event that a securities seller/cash borrower fails to deliver on the first leg, the Repo rate will, nevertheless, start to accrue as if a delivery had been made; in the event that the securities buyer/cash lender fails to redeliver (i.e., return) the securities on the second leg of the Repo, then the Repo rate will cease to accrue, since the original securities seller/cash borrower was presumably, ready and willing to pay the repurchase price when due. In either case, the party to whom the delivery of the securities had been due may call for margin against any exposure to the other party or terminate the transaction. Counterparties are expected to act in such a way as to facilitate the timely settlement of their repo transactions and, in particular, should organize their transactions according to their settlement capability.

Participants should ensure that they are aware of the procedures to be followed in the event of fails. If a counterparty securities seller fails to deliver securities or collateral at the designated time, the counterparty/securities buyer may take action to obtain financial redress. Such redress could typically include:

- Interest and overdraft costs which have arisen from the buyer's need to finance collateral from an alternative source;
- Fines and other penalties suffered by the seller as a result of its inability to settle a delivery obligation;
- Total costs and expenses reasonably incurred by the buyer as a result of a "buy-in"
- Costs passed back to the seller because its counterparty has bought-in securities to cover a failed delivery.
- The norm is for the buyer to seek to recover only that proportion of the costs suffered which relates to the securities/collateral which the seller has failed to deliver.

Where such a claim is to be made, the securities buyer should inform the securities seller promptly of the fact that it is implementing these procedures and where applicable, provide notification as soon as possible of the amount due as a result of exercising this option, and the basis on which it has been calculated so that the transaction can be settled on a timely basis. The securities buyer should provide appropriate evidence to support the amounts being charged to the securities seller as a result of exercising the buy-in and other fail procedures as soon as possible thereafter.

v) FAILURE TO SETTLE

In the event of failure to settle for a HRT at final cut off, the following rules will apply:-

1. On start date, securities booked at cut off will revert back to original holder of securities.
2. On return date, if the repaying bank is unable to settle the HRT repayment, securities remain with the lending bank.
3. Charges for failure to settle will be determined by the settlement agent in line with the existing KEPSS rules on failure to settle.

vi) DEFAULT

1. An event of default may arise pursuant to any of the ten (10) instances contained under Clause 10a) of the MRA.
2. If a party to the MRA serves a default notice on the Defaulting Party, the default notice must also be served on the National Debt Office of the Central Bank on the same Business Day. This is a written notice as stipulated in the MRA.
3. Under Clause 10b) of the MRA, upon service of a default notice the repurchase date shall immediately occur. If a default notice is served before the close of the Business

Day, the date of service will be deemed to be the repurchase date and the default market values for any securities due or the cash payable will be established from that date.

4. If a default notice is served after the close of the Business Day, the repurchase date will be the next Business day.
5. The close out sums need to be established by the non-defaulting party who shall advise the Central Bank of the particulars of the set off and give instructions for the sums due and to whom such sums are payable.
6. If, between the Event of Default and the Default Valuation Time, the non-Defaulting Party serves a Default Valuation Notice pursuant to Clause 10e), such notice must also be served on the Central Bank on the same Business Day. Once the set off amounts are determined the non-defaulting party should advise the Central Bank accordingly.
7. The Laws of Kenya with regard to statutory management and insolvency will apply to this arrangement. At present this mainly refers to the provisions of the Banking Act. Accordingly, the rights of a manager or liquidator with regard to statutory management or insolvency in the event of statutory management will prevail with regard to transactions conducted under the MRA.

vii) TRANSFER (SALE) OF SECURITIES AFTER DEFAULT

Default by the borrower (securities seller) may trigger the need to sell and transfer the collateralized securities by the securities buyer so as to realise the value of the collateral. In that event, and in order to comply with Capital Markets Act – Rules and Regulations governing transfer and sale of listed securities, attention is drawn to the participants' to note that:

- Though the MRA under clause 6(e) and (f) confers absolute rights to ownership of the collateralized securities to the buyer, the transfer of securities held as collateral in the Repo will only become absolute and unencumbered in the event of default and:
- The subsequent transfer of listed collateralized securities will be effected in the usual manner through the Nairobi Stock Exchange as provided for under the Act and in line with the Central Bank of Kenya Guidelines on Secondary Trading of Government securities.

viii) ACCOUNTING AND TAXATION TREATMENT OF REPOS

This aspect is being considered by the Institute of Certified Accountants' of Kenya (ICPAK) in consultation with Bank Supervision Department of the Central Bank of Kenya. Appropriate guidelines on the same shall be provided under revised guidelines once a common position has been agreed upon.

6: APPENDICES

APPENDIX 1:

FORMAT SPECIFICATIONS FOR FIXED TERM REPO

BORROWING BANK
Appropriate message type: MT 543:- deliver against payment sample message

```
:16R:GENL
:20C::SEME//HRTxxxxx                    (transaction reference number)
:23G:NEWM                               (Function of the message)
:16S:GENL
:16R:TRADDET
:98A::TRAD//20060606                    (trade date)
:98A::SETT//20060613                    (settlement/Repayment date)
:90A::PRICE                             -Price per 100
         DEAL//PRCT/99,982
:35B:ISIN TREASURYBOND                  (securities Identification bill/bond)
DEALREF: xxxxxxx                        (Commercial banks deal ref no- should be
                                        identical to the counterparts ref number)
HRT/BOND/FR1/2001/5                     (security to deliver)
:16S:TRADDET
:16R:FIAC
:36B::SETT//UNIT/10000000,              (value of Security)
:97A::SAFE//012*****                    (CDS account number from where securities
will be                                 transferred)
:16S:FIAC
:16R:REPO
:92A::REPO//6,573                       (Repo rate)
:16S:REPO
:16R:SETDET
:22F::SETR//TRAD
:16R:SETPRTY
:95P::BUYR//BANKLENDINKNX               (Lending bank)
:16S:SETPRTY
:16R:SETPRTY
:95R::REAG/PAYE/02010BORR               (Account for borrowing bank in KEPSS)
:16S:SETPRTY
:16R:SETPRTY
:95P::PSET//CBKEKENX                    (Place of Settlement- CBK)
:16S:SETPRTY
:16R:AMT
:19A::DEAL//KES79000000,                (Deal Amount)
:16S:AMT
:16R:AMT
:19A::SETT//KES80000000,                (Settlement/Repayment Amount P+I)
:16S:AMT
:16S:SETDET
:16R:OTHRPRTY
:95Q::MEOR//BORRWER/LENDER              (Dealers transacting)
:16S:OTHRPRTY
```

LENDING BANK
Appropriate message type: MT 541- receive against payment

```
:16R:GENL
:20C::SEME// HRTxxxxx                   (transaction reference number)
:23G:NEWM                               (Function of the message)
:16S:GENL
:16R:TRADDET
:98A::TRAD//20060606                    (trade date)
:98A::SETT//20060613                    (settlement/Repayment date)
:90A::PRICE                             -Price per 100
         DEAL//PRCT/99,982

:35B:ISIN TREASURYBOND                  (securities Identification bill/bond)
DEALREF: xxxxxxx                        (Commercial banks deal ref no- should be
                                        Identical to the counterparts MT 543)
HRT/BOND/FR1/2001/5                     (security to deliver)
```

```
:16S:TRADDET
:16R:FIAC
:36B::SETT//UNIT/10000000,          (value of Security)
:97A::SAFE//012xxxxxxx              (CDS account number to where securities will
be                                  transferred)
:16S:FIAC
:16R:REPO
:92A::REPO//11.573                  (Repo rate)
:16S:REPO
:16R:SETDET
:22F::SETR//TRAD
:16R:SETPRTY
:95P::SELL//BANKBORROWKNX           (Borrowing bank)
:16S:SETPRTY
:16R:SETPRTY
:95R::DEAG/PAYE/02010LEND           (Account for Lending bank in KEPSS)
:16S:SETPRTY
:16R:SETPRTY
:95P::PSET//CBKEKENX                (Place of Settlement CBK)
:16S:SETPRTY
:16R:AMT
:19A::DEAL//KES79000000,            (Deal Amount)
:16S:AMT
:16R:AMT
:19A::SETT//KES8000000,             (Settlement/Repayment Amount P+I)
:16S:AMT
:16S:SETDET
:16R:OTHRPRTY
:95Q::MEOR//LENDER/BORROWER         (Dealers transacting)
:16S:OTHRPRTY
```

<u>APPENDIX 2:</u>

FORMAT SPECIFICATIONS FOR MARGIN MAINTENANCE

BORROWING BANK
Appropriate message type: MT 542 - DELIVER FREE

```
16R:GENL
:20C::SEME//HRTFREE                 (transaction reference number)
:23G:NEWM                           (Function of the message)
:16R:LINK
:20C::PREV//7000000                 (THIS SHOULD LINK TO THE INITIAL  HRT
                                    TRANSACTION REF ISSUED VIA MT 545/547)
:16S:LINK
:16S:GENL
:16R:TRADDET
:98A::SETT//20080724                (Settlement date)
:35B:ISIN TREASURYBOND              (securities Identification bill/bond)
DEALREF:0301241                     (Agreed Commercial banks deal ref no- should
                                    be identical to the counterparts MT 540)
TOP/BOND/FXD2/2003/10               (security to deliver)
:16S:TRADDET
:16R:FIAC
:36B::SETT//UNIT/100000000,         (value of Security)

:97A::SAFE//0120530004              (CDS account number from where securities
                                    will be Debited)
:16S:FIAC
:16R:SETDET
:22F::SETR//TRAD
:16R:SETPRTY
:95P::REAG//GUARKENA                (Receiving bank)
:16S:SETPRTY
:16R:SETPRTY
:95P::PSET//CBKEKENXNDO             (Place of Settlement CBK)
:16S:SETPRTY
:16S:SETDET
:16R:OTHRPRTY
:95Q::MEOR//TEST/TEST               (Dealers transacting
:16S:OTHRPRTY
```

LENDING BANK
Appropriate message type: MT 540: RECEIVE FREE

:16R:GENL	
:20C::SEME//HRTFREE	(transaction reference number
:23G:NEWM	(Function of the message)
:16R:LINK	
:20C::PREV//7000000	(THIS SHOULD LINK TO THE INITIAL HRT TRANSACTION REF ISSUED VIA MT 545/547)
:16S:LINK	
:16S:GENL	
:16R:TRADDET	
:98A::SETT//20080724	(Settlement date)
:35B:ISIN TREASURYBOND	(securities Identification)
DEALREF:0301241(	(Agreed Commercial banks deal ref no- should be identical to the counterparts MT 540
TOP/BOND/FXD2/2003/10	(security to deliver)
:16S:TRADDET	
:16R:FIAC	
:36B::SETT//UNIT/100000000,	(value of Security)
:97A::SAFE//0120060004	(CDS account number from where securities will be Credited)
:16S:FIAC	
:16R:SETDET	
:22F::SETR//TRAD	
:16R:SETPRTY	
:95P::DEAG//BARBKENA	(Delivering bank)
:16S:SETPRTY	
:16R:SETPRTY	
:95P::PSET//CBKEKENXNDO	(Place of Settlement CBK)
:16S:SETPRTY	
:16S:SETDET	
:16R:OTHRPRTY	
:95Q::MEOR//TEST/TEST	(Dealers transacting)
:16S:OTHRPRTY	

APPENDIX 3:

FORMAT SPECIFICATIONS FOR SECURITIES SUBSTITUTION

BORROWING BANK
Appropriate message type: MT 542- DELIVER FREE

16R:GENL	
:20C::SEME//HRTFREE	(transaction reference number)
:23G:NEWM	(Function of the message)
:16R:LINK	
:20C::PREV//0102241	(THIS SHOULD LINK TO THE INITIAL HRT TRANSACTION REF ISSUED VIA MT 545/547)
:16S:LINK	
:16S:GENL	
:16R:TRADDET	
:98A::SETT//20080724	(Settlement date)
:35B:ISIN TREASURYBOND	(securities Identification)
DEALREF:0301241	(Agreed Commercial banks deal ref no- should be identical to the counterparts MT 540)
SUB/BOND/FXD2/2003/10	(security to deliver)
:16S:TRADDET	
:16R:FIAC	
:36B::SETT//UNIT/100000000,	(value of Security)
:97A::SAFE//0120530004	(CDS account number from where securities will be Debited)
:16S:FIAC	
:16R:SETDET	
:22F::SETR//TRAD	
:16R:SETPRTY	
:95P::REAG//GUARKENA	(Receiving bank)
:16S:SETPRTY	
:16R:SETPRTY	
:95P::PSET//CBKEKENXNDO	(Place of Settlement CBK)

```
:16S:SETPRTY
:16S:SETDET
:16R:OTHRPRTY
:95Q::MEOR//TEST/TEST                  (Dealers transacting
:16S:OTHRPRTY
```

MT 540 RECEIVE FREE- (LENDING BANK)

```
:16R:GENL
:20C::SEME//HRTFREE                    (transaction reference number
:23G:NEWM                              (Function of the message)
:16R:LINK
:20C::PREV//0102241                    (THIS SHOULD LINK TO THE INITIAL  HRT
                                       TRANSACTION REF ISSUED VIA MT 545/547)
:16S:LINK
:16S:GENL
:16R:TRADDET
:98A::SETT//20080724                   (Settlement date)
:35B:ISIN TREASURYBOND                 (securities Identification)
DEALREF:0301241                        (Agreed Commercial banks deal ref no- should
                                       be identical to the counterparts MT 540
SUB/BOND/FXD2/2003/10                  (security to deliver)
:16S:TRADDET
:16R:FIAC
:36B::SETT//UNIT/100000000,            (value of Security)
:97A::SAFE//0120060004                 (CDS account number from where securities
                                       will be Credited)
:16S:FIAC
:16R:SETDET
:22F::SETR//TRAD
:16R:SETPRTY
:95P::DEAG//BARBKENA                   (Delivering bank)
:16S:SETPRTY
:16R:SETPRTY
:95P::PSET//CBKEKENXNDO                (Place of Settlement CBK)
:16S:SETPRTY
:16S:SETDET
:16R:OTHRPRTY
:95Q::MEOR//TEST/TEST                  (Dealers transacting)
:16S:OTHRPRTY
```

CENTRAL BANK OF KENYA
September 8, 2008