

April 28, 2008

BANKING CIRCULAR NO. 3 OF 2008

TO: CHIEF EXECUTIVES OF COMMERCIAL BANKS

RE: TERM AUCTION DEPOSIT

The Central Bank of Kenya briefed Treasury Officers of Commercial banks on its intention to introduce a deposit product to be known as **Term Auction Deposit** on April 25, 2008. The briefing covered a description of the features of the product and technical aspects of bidding for the same.

In summary, the Term Auction Deposit, will have the following features:-

- a) Competitive auction bidding system;
- b) Flexibility in tenures: 3 to 90 days;
- c) Threshold at KES 20m but will be adjusted to KES 10m for late Term Auction Deposit bids;
- d) Current OMO dealing times will apply;
- e) Deposits will be held to maturity and will qualify for liquidity ratio purposes;
- f) Deposits will not be eligible as collateral for CBK borrowing or ILF creation;
- g) Late deposit bids will be priced at 100 basis points below the day's weighted average Term Auction Deposit rate;
- h) The CBK will acknowledge deposits through issuance of account statement;
- i) **Whenever** this product is on offer, posting will be on Reuters OMO page.

As agreed during the briefing, testing will run for two days i.e. April 28-29, 2008 and thereafter the product will be rolled out on April 30, 2008.

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