



IMPORTANT NOTICE

MODIFICATIONS IN TREASURY BILLS AUCTION METHOD

The Central Bank of Kenya, in its capacity as the fiscal agent of the Government of Kenya, issues and redeems Treasury Bills. Currently, the bank issues these securities to investors through a multi-price bid auction system where all the successful investors pay the bid price.

In order to enhance transparency and efficiency in auctioning of the Treasury Bills, the Central Bank of Kenya wishes to inform all esteemed investors of the following Treasury Bills' auction rules which will be in operation effective **1st October 2009**:

1. Non-competitive bids will be accepted and allocated in full at a price equivalent to the weighted average of all accepted bids.
2. Competitive bids up to the cut-off rate will be successful and allocated at bid prices.
3. Competitive bids above the cut off rate will be accepted and allocated at a **price equivalent to the cut-off rate**. However, they will only be accepted if the offer amount has not been fully met at the cut-off rate. The allocation in this case will be on a pro-rata basis. The competitive bids will be grouped into quartiles beginning from the lowest rate to the highest rate. The rates in the fourth quartile which will be those significantly above the cut-off rate will be rejected.
4. All participants in the Treasury Bills auction are expected to adhere to and abide by Rules and Regulations governing the primary issuance of Government Securities. These are available at the Central Bank of Kenya website.

These changes to the current auction are expected to:

- Lower costs to investors by having an efficient market outcome
- Encourage and improve competitive bidding by investors

For enquiries please contact Central Bank of Kenya, Monetary Operations & Debt Management Department on 2860000 ext. 3060 or 3634 or any Central Bank of Kenya Branch in Mombasa, Kisumu or Eldoret or send an email to NDO@centralbank.go.ke or visit the CBK website on www.centralbank.go.ke

JACKSON M. KITILI
DIRECTOR, MONETARY OPERATIONS & DEBT MANAGEMENT
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