

CIRCULAR BM 986

30th April, 2005

To: All Licensed Banks
Operating in the Sultanate of Oman

After Compliments,

**Subject: Repo Rate for CBO Standing Repurchase Facilities,
Discount Rates of Treasury Bills with CBO and
Buyback of CBO Certificates of Deposit**

Further to CBO Circular BM 890 dated May 30, 2000, on 'Repo rate for standing repurchase facility of Government Securities and discount rate of Treasury Bills with the Central Bank' and Circular letter MOD/CD/2003/043 dated January 25, 2003, establishing repurchase and buyback (discounting) facilities for CBO CDs, banks are advised that effective 1st May 2005, the repo and discount rates for these CBO standing liquidity facilities shall be as follows:

1. The repo rate that the Central Bank applies for the purchase of Government Securities (Treasury Bills and Development Bonds) and CBO Certificates of Deposit for a maximum period of 28 days shall be based on the cut-off rate emerging in the latest auction of CBO CDs plus 100 basis points.
2. The discount rate that the Central Bank applies for the discounting of Treasury Bills with a remaining life of 91 days or less shall be based on the cut-off rate emerging in the latest auction of CBO CDs plus 125 basis points.

3. The discount rate that the Central Bank applies for the discounting of Treasury Bills with a remaining life of more than 91 days shall be based on the cut-off rate emerging in the latest auction of CBO CDs plus 150 basis points.

4. The discount rate that the Central Bank applies for the buyback (discounting) of CBO Certificates of Deposits shall be based on the cut-off rate in the latest auction of CBO CDs plus 125 basis points.

As the banks are aware, the CBO operates the standing liquidity facilities for promotion of healthy money market in the Sultanate. It has been observed that banks approach the CBO for repo transactions even when the prevailing inter-bank rates are lower than the CBO repo rate giving the impression that the inter-bank market is not fully utilized by the banks before approaching CBO for funds. It is important for development of active money market that banks avail of the CBO standing liquidity facilities only as a last resort after exploring the availability of funds in the inter-bank market.

All other instructions, extant hitherto on the subject, remain unchanged.

Best regards,

Hamood Sangour Al-Zadjali
The Executive President