

FAQs – Reverse Auctions for the purchase of Malta Government Securities under the PSPP

The Central Bank of Malta (CBM) will hold reverse auctions for some of its outright purchases under the PSPP as from September 2016. Here are the most frequently asked questions (FAQs) related to these reverse auctions. Please e-mail us on qedesk@centralbankmalta.org if you have other queries.

Q: Who are the eligible counterparties that can participate in the reverse auctions?

A: Eligible counterparties already operating as CBM counterparties in the bilateral purchases for the PSPP can participate in the reverse auctions. These include financial institutions namely banks and local licensed brokers who hold an account at the Malta Stock Exchange. Other counterparties that fulfil the eligibility criteria to participate in Eurosystem monetary policy operations can also participate. End-investors are hereby being encouraged to contact their financial advisers to explore possibilities for indirectly participating in the auction.

Q: Which securities will be eligible for the auction?

A: The securities eligible for the auction will be the same securities eligible for the PSPP, i.e. Maltese Government bonds. However, the CBM will target specific ISINs per auction. The number of targeted ISINs will vary between 4 and 6 per auction. The ISIN list will be communicated to counterparties and will be available on the Bank's website two business days prior to the auction date.

Q: How are offers submitted?

A: Offers have to be submitted by fax on (+356) 2550 6918, confirmed by an e-mail on psppauctions@centralbankmalta.org. Eligible counterparties are invited to submit their offers on auction day between 10.30 a.m. (CET) to 11.30 a.m. (CET). Submission of an offer is considered legally binding once the time limit elapses. If there is a discrepancy between the e-mail and the fax, the details on the fax will prevail. The submission should be in the following format:

<i>Insert auction date here</i>			
<i>Insert name of participant here</i>			
ISIN Number	Security	Amount Offered (EUR Nominal)	Price (to two decimal places)

Q: Can offers be changed after being submitted?

A: Yes, participants are allowed to change or cancel their offers until end of bidding process (up to 11.30 a.m. (CET)). Note that a change or a removal of submitted offers needs to be confirmed via fax and confirmed by e-mail again. After the close of the submission period, offers are binding and cannot be changed anymore.

Q: How will the allocation process takes place?

A: Offers will be allocated on the basis of their attractiveness relative to an in-house reference curve. Allocation will take place on a variable rate, discriminatory pricing. This means that the best offers will be accepted at the price submitted by the counterparty, up to a maximum amount and cut-off price determined by CBM for each bond. There will be no price averaging. Discriminatory pricing makes it possible for one particular bond to be purchased at multiple prices, depending on the counterparties' quotes.

Q: Can an offer be partially allocated?

A: Yes, CBM may decide that offers accepted at the highest price may be allocated partially, subject to an accepted minimum of EUR 100,000.

Q: How and when will counterparties be informed whether their offer has been successful?

A: Counterparties will be notified by e-mail about their allocation (zero, partial or full) within 1 hour after the close of the submission period (by 12.30 p.m. (CET)). After the notification, a transaction ticket between the CBM and the counterparty will be initiated, with the trade being concluded in the same manner as the current bilateral method.

Q: Will CBM continue to buy bonds via the regular bilateral trading method?

A: Yes. However, for the time being, the PSPP desk of the CBM will not be active in PSPP bilateral trading on the day of the auction. Counterparties will be informed should this change.

Q: Will results be published after the auction?

A: Yes, with a view to enhance transparency, the CBM will publish the auction results on its website soon after the finalisation of the allocation process. At auction level, the total amount offered and the total amount allotted will be published. At the individual ISIN level, the lowest, average and highest accepted price paid will also be published.

If you have other queries, please contact our PSPP desk via (+356) 2550 5406 or by e-mail on qedesk@centralbankmalta.org.