

BAHRAIN BOURSE B.S.C (C)

**Guidelines on The trading of Treasury Bills (T-Bills)  
listed on BHB**

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# **Guidelines on the trading of Treasury Bills (T-Bills) on BHB**

## **1. General**

### **1.1 Application of these Guidelines.**

These Guidelines on trading T-Bills in Bahrain Bourse (BHB) are issued in implementation of the related provisions under BHB Market Rules and apply to:

- T-Bills Primary Market. (where applicable)
- T-Bills Secondary Market.

### **1.2 T-Bills listed or quoted on BHB shall be traded on the T-Bill Market.**

## **2. Trading Hours:**

Trading is conducted on weekdays (from Sunday to Thursday) between 9:30 a.m. and 1:00 p.m. or at such other Trading Period as determined by BHB.

## **3. Submission of Tender Forms (Orders) Via BHB Trading System:**

Brokers and their clients shall use the tender forms for treasury bills. These forms can be obtained from MC team directly or from BHB website. Investors shall submit their tender forms directly through brokers.

## **4. Continuous Trading Period:**

**4.1** During the Trading Period, Members may enter Orders, modify, or cancel Orders entered.

**4.2** 'Continuous Basis' in relation to orders means Orders shall be immediately considered for matching upon entry in the Trading System, in accordance with the principles for matching of Orders as per the "Matching Priority" Rule, set out in section 6.8 of BHB Market Rule ,where applicable.

**4.3** Orders that are not matched immediately upon the entry in the Trading System shall be maintained in the Trading System for possible Matching in accordance with “Matching Priority” Rule under section 6.8 of BHB Market Rules.

## **5. Orders:**

### **5.1 Order Particulars**

Any order entered into the Trading System shall contain such particulars or information as may be prescribed by BHB from time to time.

### **5.2 Board Lots:**

The Standard Board lots represent the step size for an order quantity; therefore the quantity should be 1 (one) lot or its multiples.

<b>Category</b>	<b>Price Category</b>	<b>Board Lot Size</b>
1	BHD 0.001 & above	1 Unit
2	USD 0.005 & above	

### **5.3 Tick Size**

The price is expressed as percentage; the tick size of each order will be 0.001%.

<b>Category</b>	<b>Price Category</b>	<b>Tick Size</b>
1	BHD 0.001 & above	BHD 0.00001
2	USD 0.005 & above	USD 0.00005

### **5.4 Minimum accepted Order:**

At BHB T-bill Market, the minimum accepted order is equal to BD 5000 (Five Thousand Dinars) or its equivalent in the T-Bill currency; and the size of the Order will be measured in lots as each lot equal to 1 (one) T-Bill.

## **5.5 Types of Orders**

The following types of Orders may be entered by Members into the Trading System:

- Regular Orders (Reg) and,
- All or None (AoN).

## **6. Modifications and Cancellation of orders**

**6.1** Any Order entered into the Trading System may be modified or cancelled by the Member prior to the matching of the order.

**6.2** If the T-Bill, Account Number or the Order type (Buy or Sell) need to be changed, the Order must be cancelled and then re-entered.

## **7. Matching Priority:**

Orders shall be matched in priority subject to the following:

1. All Orders shall be matched in priority of price and then time.
2. Regular Orders shall have priority over Non-Regular Orders (Special Term Order).
3. Price/Time priority shall be applied subject to section 6.8 of BHB Market Rules.

## **8. Price fluctuation:**

Daily price variations (up or down) for each T.Bills shall be limited to a maximum of 5% of the previous closing price for the T.Bills. Other limits or variations to existing limits for each T.Bills may be specified from time to time by BHB.

## **9. Suspension of T-Bill Trading:**

BHB may suspend or restrict trading in any or all listed or quoted T-Bills during any part of the trading session in accordance with BHB Market Rule.

## 10. Yield Rate:

**10.1** The yield is a measure of the annualized return that an investor will benefit from holding a T-Bill until maturity.

**10.2** The discount rate is the discount amount divided by the face value expressed as percentage annualized as per the following formula:

$$DR = \left( \frac{F-P}{F} \right) \times \frac{\text{Year Basis}}{n}$$

**DR= Discount Rate**  
**F= Face Value (Par Value or Principal)**  
**P= Purchase Price (Cost)**  
**n= Days to Maturity**

## 11. Pricing & Settlement Mechanism:

The pricing and settlement calculation is based on the following Example:

### *Example*

**Issue Date: September 25, 2014**  
**Maturity date: September 25, 2015**  
**Face value: BD 100**  
**Year Basis =360**  
**Yield, y = 3.8 %**  
**Trade date: March 22, 2015**  
**Settlement date: March 24, 2015**  
**Quantity: 500**  
**Number of days to maturity, n = 185**

**11.1** The price shall be quoted on a rate of discount basis in percentage terms.

**11.2** The purchase price can be determined from the following formula:

$$\text{T-Bill Price} = \text{Face Value} * \left( 1 - \text{Yield} * \left( \frac{n}{\text{Year Basis}} \right) \right)$$

**n = Days to Maturity**

***Applying the equation to the above example:***

$$Price = 100 * (1 - 0.0380 \times (185/360)) = BD 98.047$$

**11.3** The settlement value is actual amount of money an investor will receive or pay after the execution of the trade.

**11.4** Unless otherwise determined by BHB , the settlement day for all trades executed on the trading system for a particular trading day shall be the second trading following the trade date ( T+2).

**11.5** For a Treasury bill, the settlement amount is calculated by discounting the face value by the yield.

$$\text{Settlement Value} = \text{Face Value} * (1 - \text{Yield} * \frac{\text{n}}{\text{Year Basis}}) * \text{Quantity}$$

**n = Days to Maturity**

***Applying the equation to the above example:***

$$\text{Settlement Value} = 100 * (1 - 0.0380 \times (185/360)) \times 500 = BD 49,023.611$$