Endnotes

1. LCC is the currency code for a fictitious currency, the corona, of fictitious country, Local Country.
2. Not compounded for the sake of simplicity.
3. Saunders and Cornett (2001: 26).
4. The cents' numbers are the same when more decimals are used.
5. South Africa.
6. The term "prime" in PR is a little misleading in that in practice some customers are charged PR-1%. These are prime-prime customers.
7. South Africa.
8. South Africa.
9. South Africa.
10. South Africa.
11. The data span is six years, and is for South Africa, which has a good record in terms of the conduct of monetary policy.
12. South Africa.
13. In some countries the central bank does, but this takes place under extreme conditions of high bank liquidity when there is no other option. High liquidity renders monetary policy ineffective, and paying interest is an effort to make policy partially effective. This is a complicated story on which we will be silent in this book in the interests of our keeping the principles unfettered.
14. The singular is applicable because the banks always have the same PR – certainly in the vast majority of countries.
15. Except "self-imposed" creditworthiness-assessment in the case of individuals and scrutiny of viability in the case of the corporate sector.
16. In many countries central bank accommodation to the banks is granted on an overnight basis (i.e. 1 day). In the repo system adopted in many other countries 1-week auctions are usually held for the majority of the liquidity required, and overnight repos are executed for "fine-tuning" at the end of the final interbank clearing.
17. Note that this style on monetary policy execution is followed by many countries in normal circumstances, including the ECB, the Bank of England, the Bank of Canada, the South African Reserve Bank, and so on. Not all countries follow this style. Some countries follow a policy of not having a liquidity shortage or surplus, while others allow liquidity surpluses. The latter policy is deeply flawed – if the policy is to control interest rates.
18. It makes sense to use homogenous securities such as government securities in YC construction because they are comparable in terms of the major risk, credit risk (zero in this case).
19. In this regard see: Blake (2000).
20. See Fabozzi, 2000.
21. We are aware that not all government bonds are credit-risk-free. Some government bonds have been defaulted upon or been subject to a "haircut". However, the vast majority of government bonds are credit-risk-free, and are considered so because governments have the right to tax of raise revenue to mature them. An alternative denotation could be "Least-risky-rate" (*lrr*).

22. In many countries inflation numbers are usually published two weeks after a month-end for that month.
23. AS said, the Govt ZCYC is the purest form of yield curve, because it is comprised of the rates on government zero-coupon bonds (they have durations equal to their terms to maturity), as opposed to coupon bonds which are not homogenous in respect of duration.
24. South Africa, month-end data.
25. Floating rate securities which have frequent rate changes, such as call securities, are priced at 1.0.
26. *Dematerialisation* means that scrip (physical certificates) no longer exist, while *immobilisation* means that scrip exists but is placed in a scrip depository which holds them on behalf of the investors (usually this means one certificate).
27. A reminder: the "institutions" means the contractual intermediaries (insurers and retirement funds, CISs, and AIs.
28. See McInish (2000: 212)
29. Note that there may also be hybrids of these main trading systems.
30. This phrase is usually used by economists in respect of a moral hazard problem that arises with share ownership and the management of that company. It fits well here though.
31. N&C in fact are deposits – if one goes back to the goldsmith-banker days.
32. For example: Bailey, 2005:37, and Blake, 2003:23.
33. Goodhart, CAE, circa 2003. The data were obtained from Olsen & Associates of Zurich.
34. We ignore the fact that N&C also rank as reserves, in the interests of simplicity. Doing so does not detract from the principle. In some countries this does apply (South Africa is one).
35. South Africa.
36. South Africa.
37. Marketable (Treasury bills and bonds) and non-marketable (for example: loans to local authorities), but usually marketable only, for purposes of open market operations (OMO).
38. Marketable (Treasury bills and bonds) and non-marketable (for example: loans to local authorities), but usually marketable only, for purposes of open market operations (OMO).
39. Based on Van Staden, 1966.
40. LCC is the currency code for fictitious currency "corona" of fictitious country "Local Country".
41. Marketable (TBs and bonds) and non-marketable (for example: loans to local authorities).
42. Marketable (for example: commercial paper and corporate bonds) and non-marketable (for example: mortgage and overdraft loans to households and companies).
43. Marketable (TBs and bonds) and non-marketable (for example: loans to local authorities), but usually marketable paper only, for purposes of OMO.
44. We ignore N&C which in the big picture are irrelevant.
45. We assume that N&C do not rank as reserves – to keep the analysis simple. In reality N&C is minuscule in relation to total reserves. There are some countries where N&C do not rank as reserves (South Africa is one of them).
46. We do know that equity represents ownership, but we ignore the detail here in the interests of simplicity.
47. Monthly data for South Africa.

48. There are theories surrounding the rp, such as the CAPM. As we are dealing here with principles, we will assume an rp.
49. In most derivative formulae the risk-free rate (rfr) is used, and this is so because it is a well known and easily accessible rate. There is no standard definition for the rfr but most analysts / academics apply this term to the 91-day Treasury bill rate.
50. South Africa, approximately 50 years.
51. South Africa.
52. South Africa: part of 1950s and 1960s.