

Guidelines for Repos in Ghana

BANK OF GHANA

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1 INTRODUCTION

These Guidelines have been prepared by the Bank of Ghana (the “**BoG**”), in collaboration with the Repo Stakeholder Committee. It contains directives and recommended best practices for market participants who intend to trade repos in Ghana.

Repos are governed by master agreements. The Global Master Repurchase Agreement (2011 version) (“**GMRA**”) shall be the Master Agreement* that shall govern the trading of repos in Ghana in its unamended form. All the directives contained in these guidelines are binding on eligible counterparties and serve as regulatory guidance for repo activity trading in Ghana.

These Guidelines supersede all previous notices and Guidelines issued by the BoG and in particular BoG notice no. BG/TD/98/65 issued on August 03, 1998.

These Guidelines will be administered by BoG, **who may consult** other relevant regulatory bodies and may be reviewed periodically to ensure that they remain relevant and useful.

These Guidelines must be read together with the following:

- a) The Banks and Specialized Deposit –Taking Act, 2016 (Act 930)
- b) The Operational Procedures of the Central Securities Depository (Ghana) Limited; and
- c) Notices or directives by BoG and the Securities and Exchange Commission

2 DEFINITIONS

2.1 In these Guidelines, unless the context otherwise requires, the following terms shall have the following meanings:

2.1.1 Agency Repo – A repo executed with counterparty on behalf of a customer or customers (in the case of a pooled transaction) by an agent. The customer is the Principal to the transaction and shares the risk of the transaction with the Agent’s counterparty, but not the Agent. However, the identity of the Principal(s) may not be disclosed to the front office of the counterparty. There will be separate contracts between an agent and his customers.

Counterparties who wish to trade an agency repo shall sign the Agency Annex. For simplicity, both parties can however not act as Agents in any single transaction. Only licensed financial intermediaries and appropriate capital markets operators licensed by the SEC may act as agents.

2.1.2 BoG – Bank of Ghana

2.1.3 Business Day –means any day (other than a Saturday, Sunday or official public holiday) on which banking institutions are generally open for the conduct of business in Ghana

2.1.4 CSD – Central Securities Depository

2.1.5 Eligible Counterparties –The parties listed under paragraph 6 of this Guidelines.

2.1.6 Event of Default – An event of default as specified under section 10 of the GMRA

2.1.7 FoP – Free of Payment

2.1.8 FoP Rules – The approved procedure for FoP transfers

2.1.9 Forward Repo – A transaction with the purchase date that is one business day or more (e.g. 1 month) after the standard settlement date for cash transactions of securities

2.1.10 GFIM – Ghana Fixed Income Market

2.1.11 GMRA – Global Master Repurchase Agreement (2011) published by the International Capital Market Association and available at www.icmagroup.org

2.1.12 HNWI – High Net Worth Individual

2.1.13 Open Repo – a repo transaction initiated without a fixed repurchase date. The maturity rolls over each day until either party terminates the deal by notice to the other

2.1.14 Repo – Repurchase Agreement

2.1.15 SDI – Specialized Deposit –Taking Institutions

2.1.16 SEC – The Securities and Exchange Commission

2.1.17 Sell/Buy-Back –Sell/Buy-Backs are economically identical to repurchase transactions. The main difference between these two repo types is how net exposure - arising from the changes in the market value of collateral - is eliminated. Sell/Buy-Backs use adjustment or re-pricing mechanisms to realign cash and collateral values. Also, a repurchase agreement is always evidenced by a written contract, whereas a Sell/Buy-Back may or may not be documented.

Also known as buy/sell – back, buy/sell or sell/buy. However a sell/buy- back involves borrowing cash, while a buy/sell-back involves the lending of securities (equivalent to a Reverse Repo)

Counterparties who wish to trade Sell/Buy-Backs must execute the Sell/Buy-Back Annex (also known as the Buy/Sell- Back Annex)

2.1.18 SFT – Securities Financing Transactions

2.1.19 Term Repo – Repos with a fixed repurchase date

1 DEFINITION OF A REPO

A Repo is a generic name for both a Repurchase Transaction and a Sell/Buy-Back.

It is a sale of a quantity of securities (by the Seller) at a purchase price at the start of the transaction and a simultaneous agreement to repurchase the securities from the other party (Buyer) at a different price and at a future date (if the intended repurchase date becomes an unscheduled bank holiday, that date is rolled forward to the next business day) or on demand (in the case of an open repo).

The sale of the securities (hereafter referred to as collateral) implies outright transfer of legal title from the Seller to the Buyer. The collateral becomes the unencumbered property of the Buyer who has the unfettered right to reuse/sell the collateral.

On the purchase date of a transaction, the seller shall transfer the purchased securities to buyer or its agent against payment of the purchase price by Buyer.

On the repurchase date, the buyer shall transfer to the seller or its agent equivalent securities against the payment of the repurchase price by the seller less any amount payable and unpaid by Buyer to Seller such as manufactured payment due to Seller if income is paid to Buyer on collateral.

The buyer can dispose of collateral during the term of the repo and is obliged to sell back equivalent securities at maturity. Equivalent securities is per the GMRA definition.

2 TYPES OF REPO DEALS

The following type of deals shall be allowed:

- a) Term Repo
- b) Open Repo
- c) Forward Repo
- d) Sell/ Buy Back
- e) Agency Repo
- f) Repurchase Transaction

3 GLOBAL MASTER REPURCHASE AGREEMENT

The GMRA is a master agreement used globally and published by the International Capital Market Association. It contains standard provisions suitable for the most common types of repo business and may be supplemented by market standard product or jurisdiction specific

annexes¹. Any other modifications agreed by the parties should be recorded in Annex I to the agreement, in trade confirmations or in a format which makes it clear that the parties agree to a variation of the standard form, e.g. side letter. Amendments made to the published form may have an impact on the ability of parties to rely on industry legal opinions on the enforceability of the GMRA.

The GMRA shall provide the general framework under which repos are transacted in Ghana.

The parties to a repo transaction must sign the GMRA. In the case of banks and SDIs, this is a regulatory requirement in order to recognize the reduction of credit risk by collateral in the calculation of regulatory capital requirements.

The agreement shall be subject to the laws of England and at the minimum, the agreement should provide for:

- a) The absolute transfer of title to the eligible securities including any eligible securities transferred through substitution or mark-to-market adjustment;
- b) Marking –to- market of transactions;
- c) Use of haircuts to protect against falls in the value of collateral;
- d) Use of margin maintenance whenever the mark-to-market reveals material change in value;
- e) Events of default and consequential rights and obligations of the parties to the transactions including provision on close-out netting ;
- f) Full close-out netting of claims between the parties to the transaction in an event of default; and
- g) The rights of the parties regarding substitution of eligible securities and the treatment of coupon payments on respect of the eligible securities subject to it, including for example the timing of payments.

4 ELIGIBLE COUNTERPARTIES

The repo market typically brings two types of end users. The first are those that provide collateral in return for cash (e.g. pension funds, insurance companies, asset managers, and hedge funds). The second are those that provide cash and receive collateral in return (e.g. treasurers or money market funds).

The following counterparties are eligible to partake in repos transactions:

- a) BoG;

¹ The GMRA may be adapted to Sell/Buy-Backs, by amending the master agreement through the signing of the Buy/Sell Back Annex

- b) Banks and SDIs;
- c) Securities Dealers;
- d) Corporates with the knowledge and sophistication to appreciate the risks relating to the repo market; and
- e) HNWI with the knowledge and sophistication to appreciate the risks relating to the repo market.

Corporates shall include both domestic and foreign organizations, including financial institutions. Corporates not domiciled in Ghana shall not transact repos where the collateral securities have time to maturity of less than 2 years.

5 MINIMUM TRANSACTION SIZE

For transactions involving Corporates and HNWI, the minimum Purchase Price for repo transactions shall be GHS 1,000,000 for transactions denominated in Ghana Cedi or its equivalent for transactions denominated in any other currency. There is no minimum transaction value requirement for BoG, Banks and SDIs and Securities Dealers.

6 ELIGIBLE COLLATERAL SECURITIES

The following fixed income securities shall be eligible for use as collateral securities for repos:

- a) Treasury Bills and Notes Issued by the Government of Ghana;
- b) Bonds issued or guaranteed by the Government of Ghana;
- c) Bank of Ghana Bills;
- d) Eurobonds issued by the Government of Ghana;
- e) Corporate Bonds listed on the GFIM

The maturity of a security must be later than the maturity of the repo in which it is being used as collateral.

Securities are not eligible as collateral if they are issued or guaranteed by the Seller.

7 BASIS AND BUSINESS DAY

- a) Unless otherwise agreed by the parties, all calculations for interest and accrued interest on the Purchase Price and Cash Margin shall be made on an Actual/Actual basis.
- b) All accrued interest on securities shall be calculated using the basis that applies to the securities market.
- c) A business day shall mean, a day, other than Saturday or Sunday, on which both the CSD and banks in Ghana are open for business.

8 REPURCHASE PRICE

Unless otherwise agreed among the parties, the repurchase price shall be determined as a function of the purchase price paid by the Buyer, the Repo Rate and the term of the Repo.

9 MARGINING A REPO

9.1 INITIAL MARGIN OR HAIRCUT

Initial margins or haircuts are used to adjust the value of collateral securities sold in a repurchase transaction in order to try to anticipate the loss of value in the securities that may be experienced if it is liquidated following an event of default by a counterparty.

The application of initial margin differs from that of haircuts in its calculation.

An initial margin is expressed relative to the purchase price and represents the percentage of the ratio of the market value of the collateral to the purchase price i.e. $(\text{Market Value of Collateral} / \text{Purchase Price}) * 100$. In the GMRA, an initial margin is referred to as Margin Ratio. An initial margin of 100% means no margin.

A haircut is expressed relative to the collateral and is defined as the percentage difference between the Market Value of collateral and the Purchase Price of the repo i.e. $[(\text{Market Value of Collateral} - \text{Purchase Price}) / \text{Market Value of collateral}] * 100$.

Note that an initial margin of, for example, 104% is not equivalent to a haircut of 4%

Initial Margins or Haircuts should be agreed at the point of trade and recorded in writing e.g. in the confirmation of a transaction. Once both parties have agreed the initial margin or haircut for a particular transaction, the value should remain fixed throughout the term of that transaction.

Variable	Formula	Amount
Trade notional (TN)	Constant	100.0
Collateral notional (CN)	Constant	117.5
Margin Ratio (MR)	CN/TN	1.175
Loan to Value (LTV)	TN/CN	85.1%
Haircut (H)	1 - LTV	14.9%

Variable	Formula	Amount
Trade notional (TN)	Constant	100.0
Haircut (H)	Constant	30%
Collateral notional (CN)	TN/LTV	142.9
Loan to Value (LTV)	1 - H	70%
Margin Ratio (MR)	CN/TN	1.429

Variable	Formula	Amount
Trade notional (TN)	Constant	100.0
Margin Ratio (MR)	Constant	1.333
Collateral notional (CN)	TN*MR	133.3
Loan to Value (LTV)	TN/CN	75%
Haircut (H)	1 - LTV	25%

9.2 CALCULATING NET EXPOSURE

Net exposure between two parties represents the amount of aggregate exposure across each transaction by which one party exceeds the other. This is determined by summing up each outstanding transaction exposures with the other party and adding any manufactured payments that are due but unpaid. The net exposure is then reduced or increased by the amount of Net Margin still held by one of the parties.

If party A holds the Net Margin and it otherwise has a net exposure to party B, the Net Margin will reduce the net exposure of party A. But if party A holds the Net Margin but party B otherwise has a net exposure to party A, the Net Margin will increase the net exposure of party B. Participants should refer to section 4 of the GMRA for further clarification.

Transaction exposure is determined by marking each transaction to market taking into account the Initial Margin or Haircut. It is recommended that participants use the haircut method when calculating transaction exposure. Participants should refer to section 2(xx) of the GMRA for further clarification.

9.3 TRANSACTIONS INCLUDED IN CALCULATING NET EXPOSURE

Net exposure shall include all transactions between the counterparties for which the

- a) Purchase Date is today or earlier , and
- b) Repurchase Date is today or later

Forward starting repos shall be excluded from the net exposure calculation until they reach their forward Purchase Dates such that they operationally cease to be forward starting transactions.

9.4 MINIMUM MARGIN TRANSFER AMOUNTS (MTAs) (EXPOSURE THRESHOLDS)

While it is recommended that Net Exposure be calculated on every Business Day, it shall be calculated at least once a week. Margin shall be called whenever Net Exposure exceeds an agreed threshold.

Once the threshold is crossed, a margin is called to eliminate the entire Net Exposure and for this reason the threshold is typically referred to as an MTA in the repo market. Counterparties should set thresholds/MTAs within the allocated credit limit for repos as any amount below such a threshold represents unsecured credit exposure. Repo market participants can agree to eliminate the entire Net Exposure regularly (e.g. at the end of each calendar quarterly) regardless of the exposure threshold.

9.5 INTEREST ON CASH MARGIN TRANSFERS

Counterparties may agree to use cash as margin. Interest shall accrue on such cash margin using the weighted average of interbank rate published by BOG plus or minus an agreed spread if any.

Market participants shall settle the interest payments between the counterparties on a monthly basis.

9.6 DEADLINE FOR MARGIN CALLS

Margin Calls should be made early to provide the other party with reasonable time to check the margin calculation and to resolve any disagreements before the CSD system closes.

Margin Calls shall be made before 12:00pm GMT. Margin calls made after this deadline shall be deemed as having been made on the next business day.

9.7 HOW TO TREAT COUPONS

The Buyer is legally entitled to all coupons and income payments from the collateral securities which are subject to a repo transaction. However, the Seller retains the risk on the securities due to the commitment of buying back the securities at a fixed price. Under the GMRA, in the case of repos, the Buyer agrees to immediately pay compensatory amounts, generally known as manufactured payments, to the Seller equivalent to any income payment received on the collateral.

Note however that the treatment of coupons differs between a repurchase transaction and a sell/buy-back. In the latter, coupon payments and reinvestment income for the gap between income payment date and repurchase date, are factored into the Repurchase Price.

9.8 PRICE SOURCE AND VALUATION

In order to minimize margin call disputes, it is best practice for the counterparties to agree, wherever practical, on the price sources to be used to value collateral in a confirmation.

The pricing source should ideally be known and/ or available to both counterparties. It is market practice for the margin-caller to propose a price.

The price used for valuation shall be the mid-price as at the close of the previous Business Day of the Appropriate Market of the collateral. The use of mid-price assumes that the Buyer and Seller are equally likely to default and avoids generating margin calls due to the use of bid or ask prices. The appropriate market is the financial center which is the principal location for the trading of that security.

The Market Value of the collateral securities should be calculated using dirty prices. It is market practice for the accrued interest to be calculated from the last coupon date up to but excluding the margin delivery date.

In the event of a dispute about the price used by the margin caller, both parties should try to agree on an alternative price source, negotiate promptly, reasonably and in good faith.

9.9 ACCOUNTING FOR REPO

The accounting principles to be followed while accounting for repos/ reverse repos are as under:

I. Coupon /Discount

- a. The repo seller shall be deemed to continue to accrue the coupon/ discount on the securities sold under repo even during the repo period while the repo buyer shall not accrue the same.
- b. In case the interest payment date of the security offered under repo falls within the repo period, compensation for the coupons received by the buyer of the security should be passed on to the seller of the security on the date of receipt, as the cash consideration payable by the seller in the second leg does not include any intervening cash flows.

II. Accounting by the transferor (seller)

If a sale of a financial asset is subject to a repurchase agreement at a fixed price, or at the initial selling price plus interest, or if the asset is lent to a third party that agrees to return it, the seller retains substantially all the risks and rewards of ownership of the asset. The seller, therefore, does not derecognize the financial asset under a repo contract even if

- a. The financial asset subject to the agreement is of a type readily obtainable in the market, such that the transferee could sell the transferred financial asset and repurchase an identical financial asset in the market to meet its return obligation to the seller; or
- b. The agreement permits the transferee to return financial assets that are the same or substantially the same as the originally transferred asset or financial assets that are similar and of equal fair value.

The seller does not derecognize the asset. The consideration received is recognized as a liability to repurchase the asset. The liability is generally carried at amortized cost. If the transferee (buyer) obtains the right to sell or pledge the financial asset that does not qualify for de-recognition, then the seller reclassifies the financial asset in its statement of financial position - e.g. as a loaned financial asset or repurchase receivable.

III. Accounting by the transferee (buyer)

The transferee does not recognize the financial asset received under a repurchase or securities lending arrangement. Instead it recognizes a receivable from the transferor. This receivable may be recognized at amortized cost if it meets the IFRS 9 criteria for amortized cost classification. If the transferee subsequently sells the financial asset, then it recognizes a financial liability to return the financial asset based on its fair value

IV. Accounting on default

If there is an event of default by the seller and it is no longer entitled to reclaim the transferred financial asset, then the seller derecognizes the financial asset and the transferee recognizes the financial asset at fair value or, if it has sold the financial asset already, derecognizes the financial liability to return the financial asset.

V. Accounting for interest accruing on the financial asset

The seller retains substantially all the risks and rewards of ownership of the transferred financial asset unless there is a default event. However, the buyer will be entitled to receive the interest on the asset because the title has been transferred to them as security. In such situations, the buyer should not recognize this interest as income, but rather transfer the same to the seller who bears the risk on such instrument.

10 FAILURE TO DELIVER COLLATERAL

Fails might occur on two occasions: at the start of a repo if a seller fails to deliver securities or at the end of a repo, if the buyer fails to return the securities.

Even though fails are not desirable they may occur due to temporary operational problems, infrastructure frictions or market illiquidity. Unless specifically agreed, these should not necessarily be seen as an event of default as it may not reflect credit risks of a counterparty.

It should be noted that the failed party can terminate a failed repo at any time. If the buyer terminates a failed purchase, it will be paid repo interest up to the termination date. If the seller terminates a failed repurchase, they must follow the mini close-out procedure in the GMRA but care should be taken before doing so as it can be very expensive for the failing party and use of this mechanism may deter parties from using the market.

The decision to place a party into default has serious implications and should be taken by the appropriate governance structure of the non-defaulting party.

The BoG shall monitor fails, and where necessary, apply sanctions (including but not limited to a penalty) where a party is deemed to have acted unprofessionally, unfairly, with deliberate intent to cause a fail and impugning the integrity of the repo market.

11 EVENT OF DEFAULT²

A default means a party has triggered at least one of the 'Events of Default' under the GMRA. The occurrence of the following Acts of Insolvency can be agreed to be treated as an automatic Event of Default:

1. the filing of a petition for the winding up of the party and
2. the appointment of a liquidator or similar authority and the appointment of a receiver, automatically puts the insolvent party into default if Automatic Early Termination has been selected in Annex I.

For all other Events of Default, the party not in default must serve a notice to the defaulting party of an Early Termination date (not earlier than the date on which the notice becomes effective or later than 20 days after it becomes active). The Early Termination date is fixed by the non-defaulting party. The notice must be served in writing, in English and in a legible format.

As soon as an automatic Event of Default occurs or, in the case of other Events of Default, once the defaulting party has been served a termination notice, the close out netting of all repos outstanding and documented under the signed agreement starts and is summarized as follows:

- 1) All outstanding obligations due on repos under GMRA are terminated and become immediately due for settlement and all margin held by the parties are called back.
- 2) Default Market Values of collateral held by both parties are determined by the non-defaulting party, and any related transaction costs added. The non-defaulting party may use the following in determining the market value of the collateral
 - a) Actual prices realized in the sale of collateral
 - b) Market quotes
 - c) If sales are not possible and quotes are not available, its own estimate of the fair value in the case where quotes are not available and dealings not possible
- 3) All sums are converted to the Base Currency and netted off into one single residual amount
- 4) The defaulting party is notified of the residual amount and

² Section 11 text is a summary for non-legal staff and the definitive provisions are in the GMRA.

- 5) Whoever owes the residual amount shall pay it on the next business day. Interest will be due on late payment.

12 SETTLEMENT

Settlement of repos will be effected on either delivery versus payment (DvP) or free of payment (FoP) basis. This shall be done in accordance with the operational procedures of the CSD.

Under the FoP Rules, a transferor of securities is required to complete a FoP Transfer Form indicating the details of the transferor, the securities to be transferred as well as details of the transferee and the transferee's account. A transferee or his depository agent is therefore required to open and maintain an account with the CSD for purposes of holding the transferred securities. The CSD will effect the transfer of the securities from the account of the Transferor to the account of the transferee after submission of the completed FoP Transfer Form.

Where a FoP Transfer Form is received by the CSD before noon, the transfer will be effected on the same day and on the next Business Day if the FoP Transfer is received after 12 noon.

A foreign counterparty must appoint a custodian for the purpose of holding the securities in the CSD.

13 REPORTING REQUIREMENTS

A counterparty (or the agent of the counterparty in agency transactions) which participates in a repo transaction shall notify the Bank of Ghana in the prescribed form the same day and shall submit weekly returns on daily positions to the Bank of Ghana. Weekly reports will cover Monday to Friday and should reach Bank of Ghana on the following Monday.

Parties who transact repos with another party sometimes on their own account and at other times as an agent for third parties should ensure that they make it clear to the counterparty, at the point of trade, whenever they are acting as an agent. This is vital in order to be clear with whom rights and obligations are being established and who is taking risk on whom.

An agent must reveal the identity or identities of the third-party principal or principals for whom they are acting in order that the counterparty with whom the agent is dealing can fulfil its "know-your-customer" (KYC) obligations and measure their credit risk. It is, however, not necessary for the agent to disclose the identity or identities to the dealers of the counterparty if there is a commercial risk in doing so. In this case, the counterparty's dealers can be given

codenames only for the third parties and the key to the codenames can be given confidentially to the compliance or some other risk management or control function of the counterparty.

Both parties to a repo transaction are required to forward a duly executed copy of the GMRA together with all applicable and duly executed annexes to the GMRA to the BoG within 24 hours of their execution.

[All reports should be sent to: fmdreporeports @bog.gov.gh](mailto:fmdreporeports@bog.gov.gh)

The Head

Financial Markets Department

Bank of Ghana

One Thorpe Road

Accra Reports shall include the following;

- Name and Address of both counterparties (buyer and seller)
- Value date or deal date
- Tenor
- Due date
- Cash Amount
- Description of securities
- Notional value of securities
- Haircut
- Initial Margin/ Margin Ratio
- Interest rate
- Interest payment frequency
- Interest Amount
- Total Amount due

APPENDIX

Appendix 1: Accounting for repos

Assume Bank B lend to Bank A under repo arrangement as follows:

- Carrying value of treasury bonds at USD 10 million
- Interest at 10% per annum on repo transaction
- The respective balance sheet of Bank A and Bank B before repo transaction are as below:

Bank A		Bank B	
Assets:	USD'millions	Assets:	USD'millions
Treasury bond	100	Treasury bond	10
Cash	10	Cash	100
	<u>110</u>		<u>110</u>
Liabilities		Liabilities	
Capital	50	Capital	50
Borrowings	60	Borrowings	60
Total equity and liabilities	<u>110</u>	Total equity and liabilities	<u>110</u>

Where the repo transaction is entered into for a value of USD 10 million treasury bonds the following will be the new balance sheet structure

Bank A		Bank B	
Assets:	Kshs'millions	Assets:	Kshs'millions
Treasury bond	100	Treasury bond	10
Cash	20	Loan to Bank A	10
	<u>120</u>	Cash	90
			<u>110</u>
Liabilities		Liabilities	
Capital	50	Capital	50
Loan from Bank B	10	Borrowings	60
Borrowings	60		
Total equity and liabilities	<u>120</u>	Total equity and liabilities	<u>110</u>

Under the repo transaction, the risk and reward has not passed hence the treasury bond under repo remains on the balance sheet of Bank A. The consideration received is reflected as a financial liability of USD 10 m (loan from Bank B).

It is assumed that interest accruing on the treasury bond under repo is passed on to Bank A immediately it is received (Classic Repo structure) or on maturity of the repo transaction (Buy-Sell Back structure). Therefore Bank A will continue accounting for interest on treasury bond normally.

However, the interest accruing on repo transaction will be recognized as income in Bank B (interest received on the loan to Bank A) and an expense in Bank A (interest expense on loan from Bank B). The following will be the new balance sheet structure after the repo transaction.

Appendix 1: Accounting for repos			
Bank A		Bank B	
Assets:	USD'millions	Assets:	USD'millions
Treasury bond	100	Treasury bond	10
Cash	9	Cash	101
	<u>109</u>		<u>111</u>
Liabilities		Liabilities	
Capital	50	Capital	50
Retained earning/P&L	(1)	Retained earning/P&L	1
Borrowings	60	Borrowings	60
Total equity and liabilities	<u>109</u>	Total equity and liabilities	<u>111</u>
Upon conclusion of the repo transaction the title to the treasury bond is returned to Bank A.			

GHANA ANNEX I

Supplemental Terms or Conditions

Paragraph references are to paragraphs in the Agreement.

1. The following elections shall apply -
 - [(a) paragraph 1(c)(i). Buy/Sell Back Transactions may be effected under this Agreement, and accordingly the Buy/Sell Back Annex shall apply.]*
 - [(b) paragraph 1(c)(ii). Transactions in Net Paying Securities may be effected under this Agreement, and accordingly the following provisions shall apply.
 - (i) The phrase “other than equities and Net Paying Securities” shall be replaced by the phrase “other than equities”.
 - (ii) In the Buy/Sell Back Annex the following words shall be added to the end of the definition of the expression “IR”: “and for the avoidance of doubt the reference to the amount of Income for these purposes shall be to an amount paid without withholding or deduction for or on account of taxes or duties notwithstanding that a payment of such Income made in certain circumstances may be subject to such a withholding or deduction”.]*
 - [(c) Agency Transactions may be effected under this Agreement, and accordingly the Agency Annex shall apply.]*
 - [(d) The following Annex(es) shall apply in respect of specified Transactions -
for Buy/Sell Back Transactions, the Buy/Sell Back annex shall apply,
for Agency Transactions, the Agency annex shall apply.]*
 - (e) paragraph 2(e). The Base Currency shall be GHS.
 - (f) paragraph 2(p). [list Buyer’s and Seller’s Designated Offices]

 - (g) paragraph 2(xx): Transaction Exposure method [A]* [B]*
 - (h) paragraph 3(b). [Seller/Buyer/both Seller and Buyer]* to deliver Confirmation.

* Delete as appropriate

- (i) paragraph 4(f). Interest rate on Cash Margin shall be the weighted average Interbank rate published by the Bank of Ghana for GHS currency transactions

Interest to be payable: [payment dates and interval]

- (j) paragraph 4(g). Delivery period for margin calls to be: T+0 for cash margin
Max T+2 for securities margin

[(k) paragraph 6(j). Paragraph 6(j) shall apply.]*

[(l) paragraph 10(a)(ii). Paragraph 10(a)(ii) shall apply.]*

[(m) paragraph 10(b). Automatic Early Termination shall apply with respect to
[Party A] [Party B]]*

(n) paragraph 14. For the purposes of paragraph 14 of this Agreement -

- (i) Address for notices and other communications for Party A -

Address:

Attention:

Telephone:

Facsimile:

Email:

Other:

- (ii) Address for notices and other communications for Party B -

Address:

Attention:

Telephone:

Facsimile:

Email:

Other:

* Delete as appropriate

2. The following supplemental terms and conditions shall apply

[Existing Transactions]

- (a) The parties agree that this Agreement shall apply to all transactions which are subject to the Global Master Repurchase Agreement between them dated _____ and which are outstanding as at the date of this Agreement so that such transactions shall be treated as if they had been entered into under this Agreement, and the terms of such transactions are amended accordingly with effect from the date of this Agreement.]*

[Negative rate transactions]

- (b) In the case of Transactions in which the Pricing Rate will be negative, the parties agree that if Seller fails to deliver the Purchased Securities on the Purchase Date then -
 - (i) Buyer may by notice to Seller terminate the Transaction (and may continue to do so for every day that Seller fails to deliver the Purchased Securities); and
 - (ii) for every day that Seller fails to deliver the Purchased Securities the Pricing Rate shall be zero.]*

[Forward Transactions]

- (c) The parties agree that Forward Transactions (as defined in sub-paragraph (i)(A) below) may be effected under this Agreement and accordingly the provisions of sub-paragraphs (i) to (iv) below shall apply.
 - (i) The following definitions shall apply -
 - (A) “Forward Transaction”, a Transaction in respect of which the Purchase Date is at least [three] Business Days after the date on which the Transaction was entered into and has not yet occurred;
 - (B) “Forward Repricing Date”, with respect to any Forward Transaction the date which is such number of Business Days before the Purchase Date as is equal to the minimum period for the delivery of margin applicable under paragraph 4(g).
 - (ii) The Confirmation relating to any Forward Transaction may describe the Purchased Securities by reference to a type or class of Securities, which, without limitation, may be identified by issuer or class of issuers and a maturity or range of maturities. Where this paragraph applies, the parties shall agree the actual Purchased Securities not less than two Business Days before the Purchase Date and Buyer or Seller (or both), as shall have

* Delete as appropriate

been agreed, shall promptly deliver to the other party a Confirmation which shall describe such Purchased Securities.

- (iii) At any time between the Forward Repricing Date and the Purchase Date for any Forward Transaction the parties may agree either -
 - (A) to adjust the Purchase Price under that Forward Transaction; or
 - (B) to adjust the number of Purchased Securities to be sold by Seller to Buyer under that Forward Transaction.
- (iv) Where the parties agree to an adjustment under paragraph (iii) above, Buyer or Seller (or both), as shall have been agreed, shall promptly deliver to the other party a Confirmation of the Forward Transaction, as adjusted under paragraph (iii) above.
- (d) Where the parties agree that this paragraph shall apply, paragraphs 2 and 4 of the Agreement are amended as follows.
 - (i) Paragraph 2(xx) is deleted and replaced by the following -
 - “(xx) “Transaction Exposure” means -
 - (i) with respect to any Forward Transaction at any time between the Forward Repricing Date and the Purchase Date, the difference between (A) the Market Value of the Purchased Securities at the relevant time and (B) the Purchase Price;
 - (ii) with respect to any Transaction at any time during the period (if any) from the Purchase Date to the date on which the Purchased Securities are delivered to Buyer or, if earlier, the date on which the Transaction is terminated under paragraph 10(h), the difference between (A) the Market Value of the Purchased Securities at the relevant time and (B) the Repurchase Price at the relevant time;
 - (iii) with respect to any Transaction at any time during the period from the Purchase Date (or, if later, the date on which the Purchased Securities are delivered to Buyer or the Transaction is terminated under paragraph 10(h)) to the Repurchase Date (or, if later, the date on which Equivalent Securities are delivered to Seller or the Transaction is terminated under paragraph 10(i)), the difference between (A) the Repurchase Price at the relevant time multiplied by the applicable Margin Ratio (or, where the Transaction relates to Securities of more than one description to which different Margin Ratios apply, the amount produced by multiplying the Repurchase Price attributable to Equivalent

* Delete as appropriate

Securities of each such description by the applicable Margin Ratio and aggregating the resulting amounts, the Repurchase Price being for this purpose attributed to Equivalent Securities of each such description in the same proportions as those in which the Purchase Price was apportioned among the Purchased Securities) and (B) the Market Value of Equivalent Securities at the relevant time.

In each case, if (A) is greater than (B), Buyer has a Transaction Exposure for that Transaction equal to the excess, and if (B) is greater than (A), Seller has a Transaction Exposure to Buyer equal to the excess.”

(ii) In paragraph 4(c) -

- (aa) the words “any amount payable to the first party under paragraph 5 but unpaid” are deleted and replaced by “any amount which will become payable to the first party under paragraph 5 during the period after the time at which the calculation is made which is equal to the minimum period for the delivery of margin applicable under paragraph 4(g) or which is payable to the first party under paragraph 5 but unpaid”; and
- (bb) the words “any amount payable to the other party under paragraph 5 but unpaid” are deleted and replaced by “any amount which will become payable to the other party under paragraph 5 during the period after the time at which the calculation is made which is equal to the minimum period for the delivery of margin applicable under paragraph 4(g) or which is payable to the other party under paragraph 5 but unpaid”.]*

3. The Agreement is amended as follows

Paragraph	Proposed Amendment
Paragraph 2(a)(ii)	Paragraph 2(a)(ii) is hereby amended by deleting the number “15” appearing immediately after the words “ <i>restrained within</i> ” in line 3 and inserting the number “30” in lieu thereof
Paragraph 2(a)(v)	Paragraph 2(a)(v) of the Agreement is hereby amended by: <ul style="list-style-type: none"> (i) deleting the number “15” appearing immediately after the word “<i>dismissed within</i>” in line 8 and inserting the number “30” in lieu thereof; (ii) deleting the number “15” appearing immediately after

* Delete as appropriate

the words “no such” in line 10 and inserting the number “30” in lieu thereof;

Paragraph 2(a)(vii) Paragraph 2(a)(vii) is deleted and replaced with the following:

“the convening of any meeting of its creditors or members for the purpose considering a voluntary arrangement with its creditors or winding up under the Bodies Corporate (Official Liquidations) Act, 163 (Act 180) (or any analogous proceeding)”

Paragraph 2(v)(A) Paragraph 2(v) is amended by the deletion of Paragraph 2(v)(A).

Paragraph 2(ss) Paragraph 2(ss) is amended as follows:

- (i) On the third line, “London inter-bank market” is deleted and replaced with “average rate quoted by three leading foreign exchange banks in Ghana”.
- (ii)
 - a. On the third line, “London inter-bank market” is deleted and replaced with “average rate quoted by three leading foreign exchange banks in Ghana”.
 - b. On the sixth line, “London” is deleted and replaced with Accra.
 - c. On the seventh line, all references to “London” are deleted and replaced with Accra

Paragraph 10 (b) Paragraph 6(b) is amended by the insertion of “*administrator*” after “*liquidator*”.

Paragraph 17 Paragraph 17 is deleted in its entirety and replaced with the following:

17

- (a) *This Agreement (and any non-contractual rights or obligations arising out of, or in connection with, it or its subject matter) shall be governed by and construed in accordance with laws of Ghana.*
- (b) *The Parties agree that the courts of Ghana shall have jurisdiction to settle any disputes or proceedings which may arise in connection with this Agreement (the “**Proceedings**”) and that any judgment or order of a Ghanaian court in connection with this Agreement is conclusive and binding on them and may be enforced against them in the courts of any other jurisdiction.*

Or (alternative to (b))

The Parties agreed that any dispute arising out of, or in connection with,

* Delete as appropriate

this Agreement (including any question regarding its existence, validity or termination) shall be referred to, and finally resolved by, arbitration.

Disputes submitted to arbitration pursuant to paragraph 17(b) shall be resolved in accordance with the Alternative Dispute Resolution Act, 2010 (Act 798).

The tribunal shall consist of a sole arbitrator who shall, in the absence of agreement of the Parties, be appointed by the Ghana Arbitration Centre.

The place of arbitration shall be Accra, Ghana and the language of the arbitration shall be English.

The tribunal shall give a written record of the award and the reasons for it and the award shall be final and binding. The Parties hereby undertake to carry out the award immediately and without delay.

Each Party shall bear its own costs and expenses, including legal and any other professional and advisory fees, incurred in connection with the arbitration contemplated herein notwithstanding the outcome of the arbitration.

Paragraph 19	Paragraph 19 is hereby amended by deleting the phrase “ <i>in the Courts of England or of any other country or jurisdiction,</i> ” appearing in line 5 thereof and inserting the phrase “ <i>before any court or tribunal</i> ” in lieu thereof.
Paragraph 21	Paragraph 21 is deleted in its entirety.



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GLOBAL MASTER REPURCHASE AGREEMENT (2011 VERSION)

AGENCY ANNEX

Supplemental terms and conditions for Agency Transactions

This Annex constitutes an Annex to the Global Master Repurchase Agreement dated _____ between

_____ and _____

_____ (the "Agreement").

1. Scope and interpretation

- (a) The parties have agreed that the Transactions to which this Agreement applies may include Agency Transactions.
- (b) Subject to the following provisions of this Annex, either party may enter into Transactions as agent for a third person (a "Principal"), whether as custodian or investment manager or otherwise (a Transaction so entered into being an "Agency Transaction"). In this Annex the party entering into an Agency Transaction as agent is referred to as the "Agent" and the other party is referred to as the "other party".
- (c) In relation to Agency Transactions, the Agreement shall be construed as if it had been amended and supplemented as set out in paragraphs 2 to 5 of this Annex.
- [(d) The parties agree that either party may enter into an Agency Transaction on behalf of more than one Principal and accordingly the addendum hereto for multiple principal transactions shall apply.]*

2. Initiation; Confirmation

- (a) A party may enter into an Agency Transaction if, but only if -

*
Delete as appropriate

- (i) it specifies that Transaction as an Agency Transaction at the time when it enters into it and in the Confirmation;
 - (ii) it provides to the other party, prior to effecting any Agency Transaction, such information in its possession necessary to complete all required fields in the format generally used in the industry, or as otherwise agreed by the parties ("Agreed Format"), and will use its best efforts to provide to the other party any optional information that may be requested by the other party for the purpose of identifying the Principal (all such information being the "Principal Information"). The Agent represents and warrants to the other party that the Principal Information is true and accurate to the best of the Agent's knowledge and has been provided to the Agent by the Principal;
 - (iii) it enters into that Transaction on behalf of a single Principal whose identity is disclosed to the other party (whether by name or by reference to a code or identifier which the parties have agreed will be used to refer to a specified Principal) at the time when it enters into the Transaction; and
 - (iv) it has at the time when the Transaction is entered into actual authority to enter into the Transaction on behalf of that Principal and to perform on behalf of that Principal all of that Principal's obligations under the Agreement.
- (b) A transaction shall not be entered into under the Agreement and this Annex if both parties specify that they propose to enter into that transaction as an agent.

3. Notification

Each party undertakes that, if it enters as agent into an Agency Transaction, forthwith upon becoming aware of -

- (i) the occurrence of an Event of Default, or an event which, upon the service of a notice or the lapse of time, or both, would be an Event of Default, in relation to the relevant Principal; or
- (ii) any breach of any of the warranties given in paragraph 5(c) below or of any event or circumstance which has the result that any such warranty would be untrue if repeated by reference to the current facts,

it will inform the other party of that fact and will, if so required by the other party, furnish the other party with such additional information as the other party may reasonably request.

4. Separate agreement

- (a) Each Agency Transaction shall be a transaction between the relevant Principal and the other party and no person other than the relevant Principal and the other party shall be a party to or have any rights or obligations under an Agency Transaction. Without limiting the foregoing, the Agent shall not be liable as principal for the performance of an Agency Transaction, but this is without prejudice to any liability of the Agent under any other provision of this Annex.

- (b) All the provisions of the Agreement shall apply separately as between the other party and each Principal for whom the Agent has entered into an Agency Transaction or Agency Transactions as if each such Principal were a party to a separate agreement with the other party in all respects identical with the Agreement as supplemented by the provisions of this Annex other than this paragraph, but with the following additions and modifications -
 - (i) if there occurs in relation to the Agent an event which, if the Agent were a party to the Agreement, would be, or would, upon the service of a notice or the lapse of time, or both, be an Event of Default, then an Event of Default shall be treated as occurring in relation to the Principal;
 - (ii) if the Principal is neither incorporated nor has established a place of business in Great Britain, the Principal shall for the purposes of paragraph 17 of the Agreement as so applicable be deemed to have appointed as its agent to receive on its behalf service of process in the Courts of England the Agent, or if the Agent is neither incorporated nor has established a place of business in the United Kingdom, the person appointed by the Agent under paragraph 17 of the Agreement, or such other person as the Principal may from time to time specify in a written notice given to the other party.
- (c) The Agent shall do all such things and provide the other party with all such information as may be necessary to identify any Transaction Exposure which may arise in respect of any Principal.
- (d) The foregoing provisions do not affect the operation of the Agreement as between the other party and the Agent in respect of any Transactions into which the Agent may enter on its own account as a principal.

5. Representations and warranties

- (a) Paragraph 9(b) of the Agreement shall be deleted and replaced by the following:
 - "(b) it will engage in this Agreement and the Transactions contemplated hereunder as principal or, subject to and in accordance with the terms of the Agency Annex hereto, as agent and the conditions referred to in the Agency Annex hereto will be fulfilled in respect of each Transaction into which it enters as an agent;"
- (b) At the beginning of the last sentence of paragraph 9 of the Agreement there shall be added the words "Subject to the Agency Annex hereto,".
- (c) Each party warrants to the other that it will, on every occasion on which it enters or purports to enter into a transaction as an Agency Transaction, be duly authorised to enter into that transaction on behalf of the person whom it specifies as the Principal in respect of that transaction and to perform on behalf of that person all the obligations of that person under the Agreement.

Addendum to Agency Annex for multiple principal transactions

1. Scope

This addendum applies where a party wishes to enter into an Agency Transaction on behalf of more than one Principal. The Agency Annex shall apply to such a Transaction subject to the modifications and additional terms and conditions contained in paragraphs 2 to 7 below.

2. Interpretation

(a) In this addendum -

- (i) a party has a "Net Transaction Exposure" in respect of the other party if the aggregate of all the first party's Transaction Exposures exceeds the aggregate of all the other party's Transaction Exposures; and the amount of the Net Transaction Exposure is the amount of the excess. For this purpose, amounts not denominated in the Base Currency shall be converted into the Base Currency at the Spot Rate prevailing at the relevant time;
- (ii) "Pooled Principal" has the meaning given in paragraph 6(a) below; and
- (iii) "Pooled Transaction" has the meaning given in paragraph 6(a) below.

3. Modifications to the Agency Annex

(a) Paragraph 2(a)(ii) of the Agency Annex is deleted and replaced by the following -

"it provides to the other party, prior to effecting any Agency Transaction, such information in its possession necessary to complete all required fields in the format generally used in the industry, or as otherwise agreed by the parties ("Agreed Format"), and will use its best efforts to provide to the other party any optional information that may be requested by the other party for the purpose of identifying any Principal (all such information being the "Principal Information"). The Agent represents and warrants to the other party that the Principal Information in respect of each Principal is true and accurate to the best of the Agent's knowledge and has been provided to the Agent by the relevant Principal;"

(b) Paragraph 2(a)(iii) of the Agency Annex is deleted and replaced by the following -

"it enters into that Transaction on behalf of one or more Principals and at or before the time when it enters into the Transaction it discloses to the other party the identity and the jurisdiction of incorporation, organisation or establishment of each such Principal (and such disclosure may be made either directly or by reference to a code or identifier which the parties have agreed will be used to refer to a specified Principal);".

(c) Paragraph 2(a)(iv) of the Agency Annex is deleted and replaced by the following -

“it has at the time when the Transaction is entered into actual authority to enter into the Transaction on behalf of each Principal and to perform on behalf of each Principal all of that Principal’s obligations under the Agreement”.

4. Allocation of Agency Transactions

- (a) The Agent undertakes that if, at the time of entering into an Agency Transaction, the Agent has not allocated the Transaction to a Principal, it will allocate the Transaction before the Purchase Date for that Transaction either to a single Principal or to several Principals, each of whom shall be responsible for only that part of the Transaction which has been allocated to it. Promptly following such allocation, the Agent shall notify the other party of the Principal or Principals (whether by name or reference to a code or identifier which the parties have agreed will be used to refer to a specified Principal) to which that Transaction or part of that Transaction has been allocated.
- (b) Upon allocation of a Transaction in accordance with sub-paragraph (a) above or otherwise, with effect from the date on which the Transaction was entered into -
 - (i) where the allocation is to a single Principal, the Transaction shall be deemed to have been entered into between the other party and that Principal; and
 - (ii) where the allocation is to two or more Principals, a separate Transaction shall be deemed to have been entered into between the other party and each such Principal with respect to the appropriate proportion of the Purchased Securities.
- (c) If the Agent shall fail to perform its obligations under sub-paragraph (a) above then for the purposes of assessing any damage suffered by the other party (but for no other purpose) it shall be assumed that, if the Transaction concerned (to the extent not allocated) had been allocated in accordance with that paragraph, all the terms of the Transaction would have been duly performed.

5. Allocation of margin

- (a) Unless the Agent expressly allocates a Margin Transfer before such time, the Agent shall, at the time of making or receiving that Margin Transfer, be deemed to have allocated any Margin Transfer in accordance with paragraph 6(c) below.
- (b)
 - (i) If the Agent has made a Margin Transfer on behalf of more than one Pooled Principal, that Margin Transfer shall be allocated in proportion to the other party’s Net Transaction Exposure in respect of each Pooled Principal at the Agent’s close of business on the Business Day before the Margin Transfer is made; and
 - (ii) if the Agent has received a Margin Transfer on behalf of more than one Pooled Principal, that Margin Transfer shall be allocated in proportion to each Pooled Principal’s Net Transaction Exposure in

respect of the other party at the Agent's close of business on the Business Day before the Margin Transfer is made.

- (c) Sub-paragraphs (a) and (b) shall not apply in respect of any Margin Transfer which is effected or deemed to have been effected under paragraph 6(c) below.

6. Pooled Principals: rebalancing of margin

- (a) Where the Agent acts on behalf of more than one Principal, the parties may agree that, as regards [all (but not some only)] outstanding Transactions with those Principals, or with such of those Principals as they may agree ("Pooled Principals", such Transactions being "Pooled Transactions"), any Margin Transfers are to be made on an aggregate net basis.
- (b) Sub-paragraphs (c) to (e) below shall have effect for the purpose of ensuring that Margin is, so far as is practicable, transferred and held uniformly, as between the respective Pooled Principals, in respect of all Pooled Transactions for the time being outstanding under the Agreement.
- (c) At or as soon as practicable after the Agent's close of business on each Business Day on which Pooled Transactions are outstanding (or at such other times as the parties may from time to time agree) there shall be effected such Margin Transfers as shall ensure that immediately thereafter -
 - (i) in respect of all Pooled Principals which have a Net Transaction Exposure to the other party, the amount of Cash Margin then repayable, and the amount of Equivalent Margin Securities of each description then deliverable, by each such Pooled Principal is equal to such proportion of the aggregate amount of Cash Margin repayable, or the aggregate amount of such Equivalent Margin Securities deliverable, by all such Pooled Principals as corresponds to the proportion which the Net Transaction Exposure of the relevant Pooled Principal bears to the aggregate of the Net Transaction Exposures of all Pooled Principals to the other party; and
 - (ii) in respect of all Pooled Principals to which the other party has a Net Transaction Exposure, the aggregate amount of Cash Margin then repayable, and the aggregate amount of Equivalent Margin Securities of each description then deliverable, to each such Pooled Principal is equal to such proportion of the aggregate amount of Cash Margin repayable, or the aggregate amount of such Equivalent Margin Securities deliverable, to all such Pooled Principals as corresponds to the proportion which the Net Transaction Exposure of the other party to the relevant Pooled Principal bears to the aggregate of the Net Transaction Exposures of the other party to all Pooled Principals.
- (d) Margin Transfers effected under sub-paragraph (c) shall be effected (and if not so effected shall be deemed to have been so effected) by appropriations made by the Agent and shall be reflected by entries in accounting and other records maintained by the Agent. Accordingly, it shall not be necessary for payments of cash or deliveries of Securities to be made through any settlement system for the purpose of such Margin Transfers. Without limiting the generality of the foregoing, the Agent is hereby authorised and

instructed by the other party to do all such things on behalf of the other party as may be necessary or expedient to effect and record the receipt on behalf of the other party of cash and Securities from, and the delivery on behalf of the other party of cash and Securities to, Pooled Principals in the course or for the purposes of any Margin Transfer effected under that sub-paragraph.

- (e) Promptly following the Margin Transfers effected under sub-paragraph (c) above at the close of business on any Business Day, the Agent shall prepare a statement showing in respect of each Pooled Principal the amount of Cash Margin which has been paid, and the amount of Margin Securities and Equivalent Margin Securities of each description which have been transferred, by or to that Pooled Principal immediately after those Margin Transfers. If the other party so requests, the Agent shall promptly deliver to the other party a copy of the statement so prepared.

7. Warranties

- (a) The Agent warrants to the other party that -
 - (i) all notifications provided to the other party under paragraph 4(a) above and all statements provided to the other party under paragraph 6(e) above shall be complete and accurate in all material respects;
 - (ii) at the time of allocating an Agency Transaction in accordance with paragraph 4(a) above, each Principal or Principals to whom the Agent has allocated that Transaction or any part of that Transaction is duly authorised to enter into the Transactions contemplated by this Agreement and to perform its obligations thereunder; and
 - (iii) at the time of allocating an Agency Transaction in accordance with paragraph 4(a) above, no Event of Default or event which, upon the service of a notice or the lapse of time, or both, would be an Event of Default, has occurred in relation to any Principal or Principals to whom the Agent has allocated that Transaction or any part of that Transaction.

GLOBAL MASTER REPURCHASE AGREEMENT (2011 VERSION)

SELL/ BUY-BACK ANNEX

Supplemental terms and conditions for Buy/Sell Back Transactions

This Annex constitutes an Annex to the Global Master Repurchase Agreement dated _____ between _____

and _____

(the "Agreement").

1. Scope

- (a) The parties have agreed that the Transactions to which this Agreement applies may include Buy/Sell Transactions.
- (b) In relation to Buy/Sell Back Transactions, the Agreement shall be construed as if it had been amended and supplemented as set out in paragraphs 3 to 5 of this Annex.

2. Interpretation

- (a) In this Annex -
 - (i) "Accrued Interest", with respect to any Purchased Securities subject to a Buy/Sell Back Transaction, unpaid Income that has accrued during the period from (and including) the issue date or the last Income Payment Date (whichever is the later) in respect of such Purchased Securities to (but excluding) the date of calculation. For these purposes unpaid Income shall be deemed to accrue on a daily basis from (and including) the issue date or the last Income Payment Date (as the case may be) to (but excluding) the next Income Payment Date or the maturity date (whichever is the earlier);
 - (ii) "Sell Back Differential", with respect to any Buy/Sell Back Transaction as of any date, the aggregate amount obtained by daily application of the Pricing Rate for such Buy/Sell Back Transaction (on a 360 day, 365 day or other day basis in accordance with the applicable market convention, unless otherwise agreed between the parties for the Transaction) to the sum of (a) the Purchase Price and (b) Accrued Interest paid on the Purchase Date for such Transaction for the actual number of days during the period commencing on (and including) the Purchase Date for such Buy/Sell Back Transaction and ending on (but excluding) the date of calculation;
 - (iii) "Sell Back Price", with respect to any Buy/Sell Back Transaction, means -
 - (x) in relation to the date originally specified by the parties as the Repurchase Date pursuant to paragraph 3(b)(iii) of the Agreement, the price agreed by the Parties in relation to that Buy/Sell Back Transaction, and

- (y) in any other case (including for the purposes of the application of paragraph 4 (Margin Maintenance) or paragraph 10 (Events of Default) of the Agreement), the product of the formula $(P + AI + D) - (IR + C)$, where -

P = the Purchase Price

AI = the amount, equal to Accrued Interest at the Purchase Date, paid under paragraph 3(f) of this Annex

D = the Sell Back Differential

IR = the amount of any income in respect of the Purchased Securities payable by the issuer on or, in the case of registered Securities, by reference to, any date falling between the Purchase Date and the Repurchase Date or the Early Termination Date, as the case may be

C = the aggregate amount obtained by daily application of the Pricing Rate for such Buy/Sell Back Transaction to any such Income from (and including) the date of payment by the issuer to (but excluding) the date of calculation

- (b) References to "Repurchase Price" throughout the Agreement shall be construed as references to "Repurchase Price or the Sell Back Price, as the case may be".
- (c) In paragraph 10(d)(i) of the Agreement (relating to Events of Default), the reference to the "Repurchase Prices" shall be construed as a reference to "Repurchase Prices and Sell Back Prices".
- (d) In the event of any conflict between the terms of this Annex III and any other term of the Agreement, the terms in this Annex shall prevail.

3. Initiation; Confirmation; Termination

- (a) Each Transaction shall be identified at the time it is entered into and in the Confirmation relating to it as either a Repurchase Transaction or a Buy/Sell Back Transaction.
- (b) In the case of a Buy/Sell Back Transaction the Confirmation delivered in accordance with paragraph 3 of the Agreement may consist of a single document in respect of both of the transactions which together form the Buy/Sell Back Transaction or separate Confirmations may be delivered in respect of each such transaction. Such Confirmations may be in the form of Annex II to the Agreement except that, subject to sub-paragraph (c) below, such Confirmations shall not include the item specified in paragraph 10 of Annex II.
- (c) When entering into a Buy/Sell Back Transaction the parties shall also agree the Sell Back Price and the Pricing Rate to apply in relation to that Transaction on the scheduled Repurchase Date. The parties shall record the Pricing Rate in at least one Confirmation applicable to that Buy/Sell Back Transaction.
- (d) Buy/Sell Back Transactions shall not be terminable on demand.

- (e) In the case of a Buy/Sell Back Transaction, the Purchase Price shall be quoted exclusive of Accrued Interest to the Purchase Date on the Purchased Securities and the Sell Back Price shall be quoted exclusive of Accrued Interest.
- (f) For the purposes of paragraph 3(c) of the Agreement, in the case of a Buy/Sell Back Transaction, the Purchased Securities shall be transferred to Buyer or its agent against the payment of the Purchase Price plus an amount equal to Accrued Interest to the Purchase Date on such Purchased Securities.
- (g) In the case of a Buy/Sell Back Transaction, paragraph 3(f) of the Agreement shall not apply. Termination of such a Transaction will be effected on the Repurchase Date by transfer to Seller or its agent of Equivalent Securities against the payment by Seller of (i) in a case where the Repurchase Date is the date originally scheduled by the parties pursuant to paragraph 3(b)(iii) of the Agreement, the Sell Back Price referred to in paragraph 2(iii)(x) of this Annex plus an amount equal to Accrued Interest to the Repurchase Date; and (ii) in any other case, the Sell Back Price referred to in paragraph 2(iii)(y) of this Annex.

4. Margin maintenance: “repricing”

If the parties agree that a Buy/Sell Back Transaction is to be repriced in accordance with paragraph 4(i) of the Agreement, they shall at the time of such repricing agree the Purchase Price, the Sell Back Price and the Pricing Rate applicable to the Repriced Transaction.

5. Income Payments

Paragraph 5 of the Agreement (relating to Income payments) shall not apply to Buy/Sell Back Transactions.