

Press release

News from the International Capital Market Association (ICMA)

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ICMA adds opinions for India and Iceland to jurisdictions for standard repo agreement

(London, UK) The International Capital Market Association (ICMA) has announced the publication of two new legal opinions on the Global Master Repurchase Agreement (GMRA), the standard agreement used for international repo transactions. These two new opinions support the use of the GMRA in Iceland and India, bringing the number of jurisdictions now covered by legal opinions to 59.

The new opinions for Iceland and India cover companies, banks, securities dealers, insurance companies, mutual funds and hedge funds as well as in the case of the opinion for Iceland the Central Bank of Iceland and in the case of the opinion for India the Reserve Bank of India as parties to the GMRA. In line with the existing opinions, those of India and Iceland have been obtained from locally appointed law firms and are intended to support the use of the GMRA by addressing the enforceability of the netting provisions and also the validity of the agreement as a whole.

Regulatory authorities, such as the UK Financial Services Authority (FSA) and the German Financial Supervisory Authority (BaFin), recognise the effect of netting provisions for regulatory capital and large exposure requirements provided that a legal opinion has been obtained which confirms the enforceability of the netting provisions of the GMRA and meets certain other requirements. The opinions for Iceland and India will therefore assist banks in fulfilling these regulatory requirements.

Commenting on the publication of the new opinions Godfried de Vidts, Chairman of ICMA's European Repo Council said: "In the testing trading conditions of past months, the repo markets have not only continued to function without problems, they also provided much needed liquidity lifelines to borrowers short of cash. This soundness is due in no small measure to the robust market framework provided by the Global Master Repurchase

More follows/...

Agreement (GMRA) with its legal opinions, together with the trading and market practice guidelines and recommendations developed by the European Repo Committee over many years”.

The 59 jurisdictions now covered by the legal opinions include many of the 27 countries of the European Union, as well as rapidly growing financial markets in Asia and the Middle East. All the legal opinions are available to ICMA members from the ICMA website at

<http://www.icmagroup.org>

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Notes for editors

1. International Capital Market Association (ICMA)

The International Capital Market Association is the self-regulatory organisation and trade association representing constituents and practitioners in the international capital market worldwide. ICMA's members are located in 49 countries across the globe, including all the world's main financial centres, and currently number some 400 firms in total. ICMA performs a crucial central role in the market by providing and enforcing a self-regulatory code of industry-driven rules and recommendations which regulate issuance, trading and settlement in international fixed income and related instruments. ICMA liaises closely with regulatory and governmental authorities, both at the national and supranational level, to ensure that financial regulation promotes the efficiency and cost effectiveness of the capital market.

<http://www.icmagroup.org>

2. The repo market

Repos, or repurchase agreements, are simply short-term loans, where a security, usually a government bond, is used as collateral. They are principally used to fund bond positions in the wholesale financial markets, which in turn are used for hedging and arbitrage strategies against derivatives; the repo market therefore underpins the functioning of the financial markets as a whole. Despite being pivotal to the securities market in Europe, figures on repo market size are difficult to obtain. ICMA's semi-annual surveys are acknowledged to provide the most reliable analysis of the market yet produced, giving an insight into its structure, growth and size. The latest survey published in June 2007 set the lower limit for market size at eur 6.8 trillion.

3. ICMA Communications

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