

ICMA's rules and recommendations

Excerpt from section 1000 Repo Dealers

Recommendation 2 Negative interest rate transactions

The international committee recommends that market participants who wish to enter into a repo transaction (whether a repurchase transaction or a buy/sell back transaction) in which the rate of interest payable by the seller on the purchase price will be negative agree that if the repo seller fails to deliver the purchased securities on the purchase date then -

- (i) the buyer may terminate the transaction (and this right should continue for every day that the seller fails to deliver); and
- (ii) for every day that the seller fails to deliver the purchased securities the repo rate should be zero

(the "International Repo Committee recommendation for negative interest rates").

Where market participants have entered into the PSA/ISMA Global Master Repurchase Agreement (1995 version) or the TBMA/ISMA Global Master Repurchase Agreement (2000 version) (each, the GMRA) the GMRA should be amended to incorporate the provisions set out below. Users of the GMRA may incorporate the provisions into the GMRA itself as a supplemental term in part 2 of Annex I or, alternatively, on a transaction-by-transaction basis by incorporating the provisions into the confirmation of relevant transactions. Where the provisions are incorporated into a confirmation, they can be included in full or be incorporated by reference by the use of a phrase such as "negative interest rates: International Repo Committee recommendation shall apply".

"The parties agree that the following provisions shall apply in relation to any transaction in respect of which the Pricing Rate is negative.

- (a) The definition of "Pricing Rate" in paragraph 2[(ee)]* [(jj)]⁺ is amended by adding the phrase "(which may be a negative number)" after "percentage rate".
- (b) Paragraph 10 [(e)]* [(g)]⁺ is amended by adding the following at the end of that paragraph -

“If the Pricing Rate agreed for the Transaction in question is negative, the Pricing Rate for that Transaction shall be deemed to be zero for as long as such failure continues.””

* GMRA 1995

+ GMRA 2000