

Bills of Exchange Annex

PSA/ISMA Global Master Repurchase Agreement

Supplemental Terms or Conditions for Transactions in Treasury bills, local authority bills, bills of exchange and certificates of deposit

Annex I, Part 2

1. Interpretation

In this Part of this Annex -

- (a) the “**Agreement**” means the Agreement dated _____ substantially in the form of the PSA/ISMA Global Master Repurchase Agreement (November 1995 version) of which this Annex forms a part;
- (b) “**Bill**” means an Eligible Bank Bill, a Local Authority Bill or a Treasury Bill;
- (c) “**Eligible Bank Bill**” means a bill accepted by a bank whose acceptances are eligible for discount at the Bank of England;
- (d) “**Local Authority Bill**” means a bill issued by a UK local authority and eligible for discount at the Bank of England; and
- (e) “**Treasury Bill**” means a bearer security issued by the UK Government under the Treasury Bills Act 1877 and the National Loans Act 1968.

2. Scope

2.1 The parties have agreed that the Transactions to which this Agreement applies may include Transactions in respect of certificates of deposit and Bills.

2.2 The terms and conditions set out in this Annex shall apply to Transactions in respect of certificates of deposit and Bills.

3. Equivalent securities

For the purposes of paragraph 2(p) of the Agreement, Bills shall be equivalent to other Securities if they are of an identical amount and maturity and executed by the same parties in the same capacities as those other Securities and, in the case of Securities which incorporate clausings, incorporate the same clausings as those other Securities.

4. Default Market Value

The provisions of paragraph 2(j) of the Agreement shall apply in the case of Bills as if paragraph 2(j)(i) and (ii) were deleted and replaced with the following -

- “(i) in the case of Securities to be delivered to the Defaulting Party,
 - (aa) if the non-Defaulting Party has between the occurrence of the relevant Event of Default and the Default Valuation Time (as defined below) sold Securities equivalent to those Securities; the net proceeds of sale (after deducting all reasonable costs, fees and expenses incurred in connection therewith) and

- (bb) failing such sale before the Default Valuation Time, the Market Value of such Securities at the Default Valuation Time; or
- (ii) in the case of Securities to be delivered by the Defaulting Party,
 - (aa) if the non-Defaulting Party has between the occurrence of the relevant Event of Default and the Default Valuation Time purchased Securities equivalent to those Securities, the cost of such purchase (including all reasonable costs, fees and expenses incurred in connection therewith) and
 - (bb) failing such purchase before the Default Valuation Time, the amount it would cost to buy such Securities at the Default Valuation Time at the best available offer price therefor (and where different offer prices are available for different delivery dates, such offer price in respect of the earliest available such delivery date) on the most appropriate market, together with all reasonable costs, fees and expenses that would be incurred in connection therewith (calculated on the assumption that the aggregate thereof is the least that could reasonably be expected to be paid in order to carry out the Transaction),”.

5. Maturity of Bills and certificates of deposit

If -

- (a) for any Transaction, the Purchased Securities comprise certificates of deposit or Bills, the certificates of deposit or Bills shall have a maturity date beyond the Repurchase Date of that Transaction and;
- (b) Margin Securities comprise certificates of deposit or Bills, the certificates of deposit or Bills shall have a maturity date at least one day beyond the Repurchase Date of the longest outstanding Transaction at the time such Margin Securities are transferred.

6. Guarantee of payment of Eligible Bank Bills

If either party delivers to the other any Eligible Bank Bills as Purchased Securities or Margin Securities the first party -

- (a) guarantees the due payment at maturity of such Eligible Bank Bills as though such Eligible Bank Bills had been indorsed by the transferor; and
- (b) undertakes to complete the indorsement of any such Eligible Bank Bill at any time when called upon to do so.

PSA/ISMA Global Master Repurchase Agreement

Supplemental Terms or Conditions for Transactions in Treasury bills, local authority bills, bills of exchange and certificates of deposit

This Annex I, Part 2 contains supplemental terms and conditions for transactions in local authority bills, bills of exchange and certificates of deposit. These terms and conditions have been based on the agreement used by the Bank of England in its sterling money market operations.

Equivalent securities

The definition of equivalent securities in paragraph 2(p) of the GMRA has been amended. Bills are treated as equivalent to other bills if they are of an identical amount and maturity and executed by the same parties in the same capacities as the original bills. In addition, if bills incorporate clausings, the equivalent bills must incorporate the same clausings as the original bills.

Default Market Value

The definition of default market value has been amended so that it applies to bills by reference to equivalent securities. This ensures that, where relevant, the dealing price of any bills bought or sold by the non-defaulting party will only be taken as the default market value if the securities include the same clausings as the original bills.

Maturity of bills and certificates of deposit

Where purchased securities for a transaction comprise certificates of deposit or bills, those certificates of deposit or bills must have a maturity date beyond the repurchase date of that transaction. Similarly, where bills or certificates of deposit are provided by way of margin securities they must have a maturity date at least one day beyond the repurchase date of the longest outstanding transaction at the time of the margin transfer.

Guarantee of payment of Eligible Bank Bills

Paragraph 6 provides that a party who delivers to the other any eligible bank bills guarantees the payment of the bill on maturity as if it has indorsed the bill itself and in addition undertakes to complete the indorsement of any eligible bank bill on demand. This means that the transferor of an eligible bank bill assumes the risk of non-payment.