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# Legal Update

**Lisa Cleary, Senior Director, ICMA**



- The ERCC committee have taken the decision to discontinue coverage of the GMRA 1995 in the GMRA legal opinions from 2019 onwards.
- The GMRA legal opinions will continue to cover:
  - GMRA 1995 as amended by the Amendment Agreement; and
  - GMRA 1995 as amended by the 2011 GMRA Protocol (subject to certain elections)
- The opinions will not cover annexes to the GMRA 1995 or changes to the core provisions of the GMRA 1995.



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# Legal opinion update 2019

- Phased update
- Non EU jurisdictions updated to standard timetable
- Update of EU jurisdiction opinions to be confirmed



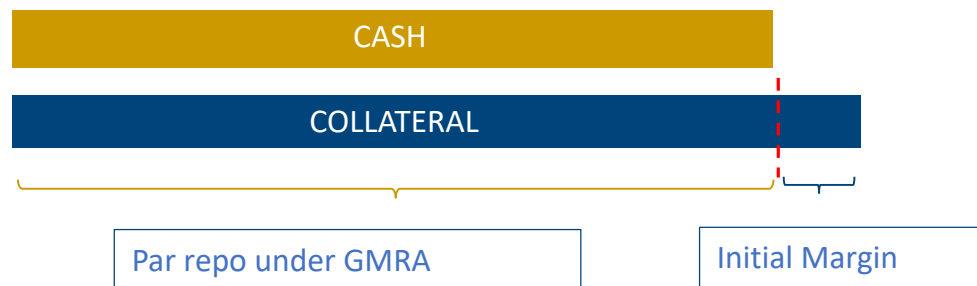
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# GMRA and Brexit

- Publication of FAQ on Brexit & the GMRA
- Governing law of the GMRA

- ERCC sponsored project:
  - Developing a 'Initial Margin Pledge Structure' whereby the 'haircut' or initial margin (IM) in a repo transaction is secured on a pledge basis. Ideally this would be documented separately from the GMRA so as to protect the title transfer characteristics of the master agreement but there would need to be a robust linkage between the GMRA and the pledge document to ensure they were executed simultaneously and for the purposes of netting.
  - Developing a 'Secured Loan Agreement' which would provide for raising cash against pledged securities.



Glossary	
<b>GMRA</b>	Global Master Repurchase Agreement
<b>RWA</b>	Risk Weighted Asset
<b>E</b>	Exposure
<b>C</b>	Collateral
<b>RA</b>	Risk adjustment
<b>EAD</b>	Exposure at default for regulatory purposes

Current treatment for standard GMRA transaction:	Treatment for IM Pledge Structure:	Saving using IM Pledge Structure:
<p>EAD = 105MM - 100MM + 2.9694MM            EAD = 7.969MM            RWA (@100%) = 7.969MM            Capital (@10%) = 0.797MM</p> <p>Regulatory risk adjustment of 2.828 % of Exposure (105MM).</p>	<p>The IM of 5MM would attract <b>zero exposure</b> on that basis that the IM is segregated in a pledge account.</p> <p>EAD = 100MM – 100MM + 2.828MM            EAD = 2.828MM            RWA (@100%) = 2.828MM            Capital (@10%) = 0.283MM</p> <p>Regulatory risk adjustment of 2.828% of Exposure (100MM).</p>	<p>EAD = 5.141MM            RWA = 5.141MM            Capital = 0.514MM</p>

*The numbers in this example are for illustrative purposes only.*



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Work in progress

- ERCC legal working group
  - Impact of Central Securities Depositories Regulation (CSDR) mandatory buy-in regime on GMRA
  - Brexit related amendments
  - Development of pledge documentation
  - BRRD II
  - Audit of counterparty coverage



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## Contact

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