

## Checklist for bilateral pair-off agreements recommended by ICMA as best practice in the European repo market

20 May 2024

*This document outlines proposed best practices that have been prepared on the basis of ERCC member feedback and agreed by the ERCC Operations Group. We would welcome further feedback from market participants and relevant infrastructure providers. Please send your comments or questions to [ercc@icmagroup.org](mailto:ercc@icmagroup.org).*

- 1 Status of agreement: contractual obligation or a statement of best endeavours?
- 2 Legal names, LEIs, head offices and legal status (eg branch) of the parties.
- 3 Names and addresses of those executing the agreement.
- 4 Names of those acting as operational contacts, telephone numbers, electronic messaging addresses and e-mail addresses to be used in the operation of the agreement.
- 5 Types of transactions eligible to be paired off under the agreement in terms of:
  - 5.1 whether cash transactions and repos, or only repos, can be paired off against each other;
  - 5.2 type of repo (repurchase transaction or buy/sell-back or both);
  - 5.3 cash or collateral currencies;
  - 5.4 whether pair offs must be full or can also be partial;
  - 5.5 whether pair-offs must be one-to-one in terms of transactions being paired off or can also be one-to-many or many-to-many;
  - 5.6 whether pair-offs must be negotiated separately for single ISINs or pair-offs for several ISINs can be negotiated as part of a single package;
  - 5.7 custodian or depository;
  - 5.8 minimum or maximum terms to maturity for repos to be paired off;
  - 5.9 thresholds in terms of the gross value and/or number of transactions to be paired-off and/or netting benefit below which no requests would be made by either party;
  - 5.10 other eligibility criteria.
- 6 Who can initiate a pair-off:
  - 6.1 only one of the parties (eg the dealer in D2C transactions) --- see 7 below;
  - 6.2 either but not both of the parties subject to an agreed rule to determine which of the parties can initiate a pair-off in particular circumstances;
  - 6.3 either party in any circumstances --- see 8 below.
- 7 Where only one of the parties can initiate pair-off proposals, it should be decided whether:
  - 7.1 the designated initiator has absolute discretion as to whether or not to make a proposal where opportunities exist;
  - 7.2 the designated initiator is obliged to make a proposal when there are eligible opportunities subject to an agreed definition of eligibility under 5 above.
- 8 If either party can initiate a pair-off and both do so, which proposal would be given priority?  
It could be:
  - 8.1 the earliest proposal

8.2 whichever of the proposals achieves the most significant netting result.

9 If a pair-off is agreed and one party fails to follow through, should there be compensation for the other party, eg in respect of interest costs and CSDR penalties?

10 Deadlines will be expressed in terms of the time zone of the settlement agent.

#### Messaging standards

11 These might copy the approach in the ICMA's *Recommendations for Reporting under SFTR*, in which an XML schema and a CSV file template are provided for use in sharing UTIs.

12 Should an XML schema be compliant with ISO 20022?

#### Minimum data requirements

13 A request to pair-off should be communicated using a standard template with sufficient data to identify the transaction to be paired-off. The list is repeatable for each transaction to be paired-off. These fields would be:

13.1 settlement date of the pair-off (ie the date of the deliveries and payments to be paired off)

13.2 pair-off ID [identifying set of transactions to be paired off] --- should this be a standard format?

13.3 number of transactions in set to be paired-off

13.4 initiating party's name --- should this be full legal and/or short name?

13.5 initiating party's LEI

13.6 counterparties' name --- should this be full legal and/or short name?

13.7 counterparties' LEIs

13.8 instruction ID for proposed net settlement

13.9 UTI of transactions to be included in pair-off

13.10 party giving or party taking net collateral in this transaction (ie seller or buyer)

13.11 Transaction Date for Purchase leg of each transaction to be included in pair-off

13.12 cash currency

13.13 Purchase Date for Purchase leg of each transaction to be included in pair-off, whether or not the Purchase leg is included in the pair-off

13.14 Repurchase Date or Termination Date for Repurchase leg of each transaction to be included in pair-off, whether or not the Repurchase leg is included in the pair-off

13.15 Purchase Price or Repurchase Price of each transaction to be included in pair-off

13.16 ISIN or ISINs of collateral in transactions to be included in pair-off

13.17 nominal value or number of each ISIN

13.18 place of settlement

13.19 settlement agent

13.20 account to be credited

13.21 account to be debited

13.22 net settlement amount for the set of all transactions with same pair-off ID

13.23 settlement message type

### Workflow and deadlines

- 13 A request for a pair-off should be communicated by the initiator as soon as possible and no later 12:00 on S-1 in the time zone of the settlement agent --- see 10 above.
- 14 The initiator must have placed their settlement instruction(s) for the transaction(s) in the pair-off proposal on hold in order to prevent inadvertent use of those securities.
- 15 The recipient must send an acceptance, rejection or counterproposal back to the initiator as soon as possible and no later 15:00 on S-1 in the time zone of the settlement agent.
- 16 As soon as practicable after receiving a pair-off proposal, the recipient should validate the proposal to ensure it follows the agreed rules and reconcile the details of the transaction(s) listed with its own books and records.
- 17 The recipient must have placed the relevant settlement instructions on hold while it is processing the request.
- 18 If the proposal is invalid or does not reconcile with the recipient's books and records, the recipient should contact the initiator as soon as practicable.
- 19 If or when a pair-off proposal has been validated and reconciled by the recipient, the parties should make a decision whether to accept, reject or make a counter-proposal as soon as practicable and send an acceptance, rejection or counter-proposal promptly but no later than by 15:00 on S-1 or T. In the case of a counter-proposal, the recipient should allow the initiator sufficient time to consider and respond to the counter-proposal.
- 20 If a request to pair-off proposal is accepted, both parties should cancel the existing settlement instructions and inject new instructions for net settlement as soon as possible but no later than the custodian or (I)CSD cut-off on S-1.
- 21 If a pair-off proposal is rejected, the initiator should release the settlement instructions for the transaction(s) in the proposal as soon as possible.

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