

## Fixing the Purchase and Repurchase Dates

2.8 Parties are able to vary the period between the date on which a repo is agreed (transaction date or T) and the Purchase Date, when cash and collateral are exchanged. Depending on the currency, parties can agree to schedule the Purchase Date on:

- the same day as the Transaction Date (in which case, settlement is said to be 'same-day' or T+0);
- the next Business Day (called 'next-day' or T+1 settlement);
- the second Business Day after the transaction date (called 'spot' or T+2 settlement);
- the third Business Day after the transaction date (T+3 settlement).

Any Purchase Date later than T+3 is now usually considered a forward repo in any currency.

2.9 The most common non-forward settlement period in the repo market is usually one Business Day shorter than the most common non-forward settlement period in the cash market for the same securities. This is because the net cash positions that need to be financed and the net securities positions that need to be covered in the repo market are only known after close of business on the cash market transaction date and therefore have one less Business Day than the cash market to settle.

2.10 Where non-bank customers in the repo market are unable to deliver securities one day faster than is usually required for cash settlement, dealers can agree to settle one Business Day later, in line with the cash market. This later repo Purchase Date is known as a 'corporate value date'.

2.11 Until 6 October 2014, the most common non-forward settlement period in the cash market for eurozone government bonds was T+3 and, as a consequence, the most common non-forward Purchase Date for repos against these securities was T+2 (with the corporate value date being T+3). In 2014, ICMA and other European securities market associations recommended that, from 6 October 2014, their members settle cash transactions in securities in the EU no later than T+2. This recommendation was made in order to smooth the implementation in 2015 of a provision of the EU Central Securities Depositories Regulation (CSDR) that mandates that cash, repo and securities lending transactions in 'transferable securities' regulated under the second Market in Financial Instruments Directive and parallel regulation (MiFID II/MiFIR) which have been executed on 'trading venues' (automatic trading systems) regulated under MiFID II/MiFIR should be settled no later T+2. Although the T+2 settlement requirement of the CSDR excludes transactions executed in the OTC market, ICMA and other associations recommended that, in order to avoid the confusion that might be caused by different settlement periods, all non-forward cash transactions in securities in Europe should settle no later than T+2. It is expected that the most common non-forward Purchase Date for repos against eurozone government securities would move from T+2 to T+1 and that the corporate value date would move from T+3 to T+2. For the Purchase Date of forward repos, see paragraph 2.16.

**2.16 Forward repos.** A forward repo is a transaction with a Purchase Date later than the most common Purchase Date in the currency of the Purchase Price. For example,

since 6 October 2014, the Purchase Date of a forward repo in euros is should be T+3 or later (except in the case of a repo for a corporate value date --- see paragraph 2.10). For forward repos for which the periods from the transaction date to the Purchase Date and Repurchase Date are both multiples of one month, there are two methods of fixing these dates:

**2.18 Open repos.** In the GMRA, this type of repo is called an ‘on demand’ transaction. An open repo is initiated without fixing a Repurchase Date. Instead, either party may terminate the transaction (in whole or in part) by giving agreed notice to the other. The GMRA states that termination shall ‘occur after not less than the minimum period as is customarily required’ for delivery (GMRA paragraph 3(e)). When negotiating an open repo, it is essential that the parties have the same understanding about what is the customary delivery period for the collateral. It is also essential that they have the same understanding of what the deadline is (and in which time zone) for giving the notice of termination. Notice given after this deadline will not be effective on the same day, in other words, the return of equivalent collateral will not be initiated until the next Business Day. For major classes of security, the current customary delivery periods and customary deadlines for giving notice of termination are set out in the table below. However, these periods and deadlines may change before the Guide can be updated, so users of the Guide need to check that they remain current. Moreover, it may be possible to extend some of the deadlines given below by negotiation. On the other hand, giving notice of termination close to the later deadlines is not advisable where the operations of one of the parties are not sufficiently automated (see paragraph 2.20 below).

| <b>class of security</b>            | <b>currency</b>                     | <b>delivery</b> | <b>deadline</b>     |
|-------------------------------------|-------------------------------------|-----------------|---------------------|
| all Continental European securities | all Continental European currencies | T+1             | 13:00 CET           |
| UK government (non-CCP)             | GBP                                 | T+0             | 14:55 GMT/BST       |
| UK government (CCP)                 | GBP                                 | T+0             | 11:00-11:30 GMT/BST |
| US Treasury                         | USD                                 | T+0             | 15:00 CET           |

In the case of securities not listed above, it is best practice for the parties to agree the delivery period and deadline, and the acceptable means of communication (which includes the telephone) and to document that agreement in Annex I of their GMRA or, if that is not practical, in Confirmations. See also paragraph 2.66 below.

[From Annex II: Repo margining best practices]

## **1 What is the deadline for making a margin call?**

Margin calls should be made before 14:00 CET. All transactions listed in section 3 should be included. Margin calls made after 14:00 CET should be treated as though they had been made on the next business day.

If a party receiving a margin call wishes to provide securities in response to the margin call, it must select the issues and notify the other party of the selection before 16:00 CET. If the second party has a problem with the issues selected by the margin-giver, it should promptly inform the first party (see (8) below).

## **2 What is the deadline for delivering margin?**

Margin should be delivered within the deadline agreed between the parties. It is best practice to deliver cash margin on the same day as the call is made (T+0). It is also best practice to deliver margin securities on the same day as the call is made (T+0) but margin securities are usually delivered later. It is recommended that margin securities should be delivered no later than one day after a margin call (T+1).