

➤ ANNEX H

Illustrative Example of A SGS Repo Transaction

Example: Bank A entered into a 1-month SGS sale and repurchase agreement with Bank B on 3 May 2001 at a repo rate of 2 $\frac{3}{4}$ % (or 2.3125%) for a nominal S\$150 million of the 4 $\frac{3}{8}$ % (or 4.375%) coupon SGS maturing on 15 October 2005. The details of the transaction are as follows, assuming no initial and variation margins:

Trade Date:	3 May 2001
Value Date:	4 May 2001 (T+1)
Term of Repo:	1 month or 31 days
Maturity Date:	4 June 2001
Amount:	S\$150 million (nominal)
Security:	4 $\frac{3}{8}$ % SGS maturing 15 October 2005
Clean Price:	S\$105.75
Repo Rate:	2 $\frac{3}{4}$ % (or 2.3125%)
Last Coupon Payment Date:	15 April 2001
Next Coupon Payment Date:	15 October 2001
Days between Coupons:	183 days
Days Interest Accrued:	19 days

Calculations:

$$\begin{aligned} \text{Accrued interest per S\$100} &= \text{S\$ } (4.375 \div 2) \times (19 \div 183) = \text{S\$0.2271} \\ &= \text{S\$0.23 (rounded to 2 decimal places)} \end{aligned}$$

$$\text{Dirty price} = \text{S\$ } (105.75 + 0.23) = \text{S\$105.98}$$

$$\text{Initial consideration} = \text{S\$150,000,000} \times 105.98 \div 100 = \text{S\$158,970,000}$$

$$\text{Repo interest payable} = \text{S\$ } (158,970,000 \times 2.3125\% \times 31 \div 365) = \text{S\$312,223.61}$$

$$\text{Final consideration} = \text{S\$ } (158,970,000 + 312,223.61) = \text{S\$159,282,223.61}$$

Settlement:

On the first leg of the transaction on 4 May 2001, Bank A passed to Bank B S\$150 million in nominal value of the underlying SGS in return for the initial consideration of S\$158,970,000 calculated above, being the clean price plus accrued interest applied to the nominal value of the SGS.

On the second leg or maturity of the transaction on 4 June 2001, Bank A repurchased the SGS from Bank B for a consideration of S\$159,282,223.61, being the amount of the initial consideration it received plus the repo interest for the duration of the transaction.