

**SINGAPORE GOVERNMENT SECURITIES**  
**REPURCHASE AGREEMENT**  
**("SGS REPO")**  
**CODE OF BEST PRACTICE**

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## 1 PURPOSE

- 1.1 The purpose of this Code is to set out standards of best practice for the Singapore Government Securities Repurchase Agreement ("SGS repo") market so as to uphold its professionalism and integrity in order for it to function in a sound and orderly manner.
- 1.2 Primary Dealers shall not under any circumstances enter into SGS repo transactions specifically to limit the availability of specific SGS with the intention of creating a false or distorted market in that security.
- 1.3 The Monetary Authority of Singapore reserves the right to amend the standards of best practice set forth in this Code. Primary Dealers will be informed in advance of any changes.

## 2 DEFINITIONS

- 2.1 For the purpose of this Code, SGS refers to both Singapore Government Bonds and Singapore Government Treasury Bills.
- 2.2 A SGS repo is a transaction in which two parties agree that one will sell SGS to the other and (at the same time and as part of the same transaction) commit to repurchase equivalent securities on a specified future date at a specified price. This Code uses "repo" to mean both repo and reverse repo.
- 2.3 For the purpose of this Code, "buyer" refers to the party who is buying securities under the first leg of a repo and "seller" refers to the party who is selling the securities under the first leg of a repo.

## 3 BUSINESS HOURS

- 3.1 The normal business hours for T+1 settlement are as follows:
  - (i) 9.00 am to 4.30 pm from Mondays to Fridays
- 3.2 The normal business hours for same day settlement are as follows:
  - (i) 9.00 am to 3.30 pm from Mondays to Fridays

#### 4 STANDARD MARKET LOT SIZE

The standard market lot size is S\$25 million. Parties who wish to transact a repo for a different amount should specify the amount when requesting for, or providing, quotes.

#### 5 VALUE DATES

5.1 The current practice is to value SGS repo transactions at T+1. Any transactions that are outside of this normal practice should be specified beforehand.

5.2 Maturity (end) dates for trades that require settlement on a weekend, or a non-settlement date for the underlying security will automatically roll forward to the next good settlement date for those underlying securities. Market participants are encouraged to both inquire and to specify the exact maturity (end) dates for transactions prior to execution.

#### 6 CUT-OFF TIMES FOR PAYMENTS/REPAYMENTS & SETTLEMENT

##### 6.1 Intra-day Repo Deals

Payments: Funds are to be given to the borrowing bank within half an hour of transactions.

Repayments: By MEPS-SGS cut-off time on the same day.

##### 6.2 Same Day Repo Deals

Deals, valued same day, transacted before 3.30pm are to be settled by MEPS-SGS cut-off time

##### 6.3 Other Repo Deals

Deals to be settled by MEPS-SGS cut-off time on value date

#### 7 REPO COST

Calculation of repo cost is on the basis of 365 days per year.

## 8 PURCHASE PRICE

Unless otherwise agreed between the buyer and the seller, the purchase price shall include the accrued interest. The prevailing market prices shall be used as a guide when determining the purchase price of the securities, which will be known as the 'Dirty Price'.

## 9 CONFIDENTIALITY AND INTEGRITY

9.1 The preservation of confidentiality and the maintenance of integrity at all times by a participant are essential for the proper conduct of business in the SGS repo market.

9.2 Participants in SGS repo shall at all times treat the names and identities of parties to transactions as confidential to the parties involved. It is incumbent upon all participants to actively ensure that their own behavior contributes to the confidential nature of the transactions.

### 9.2.1 Dealer-to-dealer Trades

Dealers involved in a dealer-to-dealer principal trade shall only disclose certain information regarding the trade, as described in paragraph 8.2.3 below.

### 9.2.2 Name Give-up Trades

The identity of parties to a transaction shall only be disclosed:

- (i) when a broker to the trade has disclosed that it is acting solely as an agent (i.e. name give-up or non-blind brokered trades); and
- (ii) after the trade is completed (i.e. after the bid is hit or the offer is lifted).

The relevant identities shall only be disclosed to the counterparties to that trade.

### 9.2.3 Completed Trades

When discussing completed trades, brokers and dealers shall only communicate to the parties to the trade the security description, repo rate, size and time of the relevant trade and the number of sellers and buyers involved in the trade.

## 10 LEGAL AGREEMENT

- 10.1 SGS repo transactions shall be subject to a legal agreement between the two participants concerned, such as the PSA/ISMA Global Master Repurchase Agreement ("the PSA/ISMA agreement").
- 10.2 Participants in the SGS repo market are strongly encouraged to adopt the PSA/ISMA agreement (1995 version) or any subsequent update of its equivalent.

## 11 MARKET-MAKING

- 11.1 All Primary Dealers shall show a commitment to participate actively as market-makers and stand ready to deal at their quoted prices for at least the Standard Market Lot Size. This does not necessarily mean that Primary Dealers are obliged to provide quotations regardless of constraints on their balance sheets on an everyday basis. However, MAS expects Primary Dealers to provide quotations on most occasions and to keep MAS informed of any constraints in doing so.
- 11.2 Primary Dealers shall undertake, as a matter of good practice, to provide liquidity to the SGS repo market by providing a quotation of 'bid-ask' spread of not more than 12.5 basis points under normal conditions, for repos of general collaterals with tenors ranging from overnight to 3 months. For repos of specific issues and/or longer tenor, the spread will be left to negotiation between the parties. These specifications are subject to review at a later stage when the SGS repo market becomes more developed, or when the Primary Dealers deem necessary.

## 12 MARGIN

### 12.1 Initial margin

Participants in SGS repo may negotiate suitable initial margin reflecting both their assessment of their counterparty's creditworthiness and the market risks (e.g. duration of collateral) involved in the transaction.

### 12.2 Margin calls

Unless the parties to the trade otherwise agree, margin calls in all repo transactions shall be met with transfers of collateral or cash, or to re-price the existing transaction. In the event that the party being marked chooses to meet its margin call with collateral, this will be met with

transfers of collateral, which consists of equivalent securities or is reasonably acceptable to the counterparty.

### 12.3 Notification and Settlement of Margin Calls

Margin calls made before 11.00 am should be settled on close of business on the same day and margin calls made after 11.00 am should be settled by the next business day. A party wishing to mark-to-market its counterparties shall do so by 1:00 pm Singapore Time but need not specify which issue is being marked. Such specifications, if agreed to be required by both parties, shall be made within one hour of initial notification. Collateral for margin shall be allocated and notified by the counterparty prior to 3:00 pm Singapore Time.

### 12.4 Price Source

The MAS daily SGS closing price is recommended as the basis for the mark-to-market. However, if there should be significant overnight or intra-day price movements, the daily mark-to-market price source shall be agreed between the two counterparts. Any issues with regard to the price should be resolved amicably by referring to prevailing market prices.

### 12.5 Margin Thresholds

It is recommended that there be no standard margin threshold although counterparties may agree to thresholds based on their mutually agreed credit assessments.

## 13 CONFIRMATION OF DEALS

13.1 Market participants shall ensure that a written or electronic confirmation covering both legs of a SGS repo transaction is issued. This confirmation shall cover the items set out in Appendix I. Confirmations shall, whenever possible, be issued not later than MEPS-SGS system cut-off time on the day of trade.

13.2 Participants shall ensure that any confirmations they receive are checked carefully as soon as possible, normally on the day of receipt, and that any queries on their terms are promptly conveyed back to the issuer.

## 14 OBLIGATION TO MAKE COUPON PAYMENT

A repo seller is entitled to receive all interest and other income ("income") on securities subject to repurchase transactions to the same extent it would have been entitled to receive such income had it not entered into repurchase transactions on the securities. In the event of an "income" payment made by the issuer, the buyer must manufacture the "income" and pay to the seller on the same business day.

## 15 SETTLEMENT

### 15.1 Payment against Delivery

Unless otherwise mutually agreed to between the buyer and seller, settlement shall be on the basis of payment against delivery of the security transacted.

### 15.2 Settlement Date

The settlement of a transaction shall be effected on the value date of the transaction within the time stipulated by the guidelines, if any, issued by the Monetary Authority of Singapore (MAS).

The operational hours of the MAS Electronic Payment System-Delivery vs Payment (MEPS-SGS) sub-system are as follows:

Mondays - Fridays	:	9.00 am - 4.30 pm
Saturdays	:	9.00 am - 12.30 pm

Dealers shall also ensure that completed trades are keyed into the MEPS-SGS sub-system within an hour of the closure of the trade.

### 15.3 Interest Claim Arising From Delay In Settlement (Fails)

Where the dealer has caused any delay in settlement, the counterparty shall have the right to claim from the dealer the loss of interest, if any, on the net amount of the transactions, calculated in accordance with the latest ABS guidelines on late payment.

In the settlement of an interest claim, both parties involved shall observe the rule of non-profit through undue enrichment.

## 16 DEFAULT AND CLOSE-OUT

In the event of a default, the procedures will have to be done in accordance with the Legal Agreement. Once a decision to declare a default has been taken, it is important, in the interests of the participant, the defaulting party and the market, that the process be carried out carefully. In particular:

- (a) the non-defaulting party shall do everything within its power to ensure that the default market values used in the close-out calculations are, and can be shown to be, fair; and
- (b) if the non-defaulting party decides to buy or sell securities consequent to the close-out, it shall make every effort to do so without unnecessarily disrupting the market.

**CONFIRMATION**

The following items need to be included in the confirmation of a SGS repo:

- (i) the seller's code.
- (ii) the buyer's code.
- (iii) the seller's custody code.
- (iv) the buyer's custody code.
- (v) the issue code.
- (vi) the nominal amount of the security sold and the price at which the transaction was effected, coupon interest, if any, and the total proceeds of the transaction.
- (vii) the value date, the date on which securities are first transferred by the seller to the buyer.
- (viii) the transaction date.
- (ix) the purchase price, the price at which securities are first transferred by the seller to the buyer. These securities are henceforth called the purchased securities.
- (x) the repurchase date, the date on which the seller is to repurchase the purchased securities from the buyer.
- (xi) the message unit reference number.