



Appendix A – Example of Repurchase and Reverse Repurchase Transactions

EXAMPLE REPO TRANSACTIONS

Example of a Trial Balance

as at February 29, 1992

dr (cr)

	<u>Trade Date Basis</u>
Securities purchased under agreements to resell	78,276
Securities owned, at market	109,836
Securities sold under repurchase agreements	(109,629)
Securities sold, at market	(26,042)
Payable to counterparty	(52,138)
Trading profit and loss	(304)
Long coupon income	(208)
Short coupon expense	140
Reverse repo interest income	(111)
Repo interest expense	180
Trial Balance	<u>0</u>

February 14th transactions:

- a. Buy 100M GOC 9.5% 10/1/98 @ 105.571 (109.449 with accrued cpn interest of 3,878), s/d 2/21.
Month-end market @ 105.75.
- b. Sell 75M GOC 8.5% 4/01/02 @ 100.750 (104.220 with accrued cpn interest of 2,603), s/d 2/21.
Month-end market @ 100.55.

February 21st transactions:

- c. Repo out 100M 9.5% 10/01/98 for proceeds of original trade (109.449)
at a repo rate of 7.5% for **60 day term**. Executed with an Acceptable Counterparty (AC).
- d. Reverse in 75M 8.5% 4/01/02 for proceeds of original trade (104.22)
at reverse rate of 6.5%. Roll overnight through month-end. Executed with a Regulated Entity.

February 25th transactions:

- e. Buy 50M GOC 8.5% 4/01/02 @ 100.60 (104.276 with cpn), s/d 3/3.
Month-end market @ 100.55. (Trade date cover of short, 25M position.)

Month-end accruals and Mark to Market:

	Proceeds (Cost)	Market	Trade date p&l
f. Realized and Unrealized Trading profits.			
GOC 9.5% 10/01/98	(105,571)	105,750	179
GOC 8.5% 04/01/02	75,563	(75,413)	150
	<u>(50,300)</u>	<u>50,275</u>	<u>(25)</u>
	(80,308)	80,612	304
g. Long coupon accrual. 100M 9.5% 10/1/98 settled for 8 days. 100,000 x 9.5% x 8/365 = 208			
h. Short coupon accrual. 75M 8.5% 4/01/02 settled for 8 days. 75,000 x 8.5% x 8/365 = 140			
i. Reverse repo interest income. Outstanding for 8 days. 78,165 x 6.5% x 8/365 = 111			
Reverse plus accrued = 78,276			



j. Repo interest expense. Outstanding for 8 days.
 $109,449 \times 7.5\% \times 8/365 =$ 180
Repo plus accrued = 109,629



**SUMMARY T-ACCOUNT TRANSACTIONS
AND MONTH-END BALANCES
FEBRUARY 29, 1992**

Securities Purchased Under Agreement to Resell		Securities Sold Under Agreement To Repurchase		Payable to Counterparties		Long Inventory Trade Date			
d	78,165	0	0	0	50,300 e	a	105,571	0	
i	111	0	109,449 c	0	1,838 e	a	3,878	0	
	0	0	180 j	0	0	f	179	0	
	0	0	0	0	0	g	208	0	
	0	0	0	0	0		0	0	
	78,276	0	109,629	0	52,138		109,836	0	
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Short Inventory Trade Date		Reverse Repo Interest Income		Repo Interest Expense		Long Coupon Interest Income			
e	50,300	75,563 b	0	111 i	j	180	0	0	
e	1,838	2,602 b	0	0		0	0	0	
f	150	25 f	0	0		0	0	0	
	0	140 h	0	0		0	0	0	
	0	0	0	0		0	0	0	
	0	0	0	0		180	0	208 g	
	0	26,042	111	180	0	0	0	0	
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Short Coupon Interest Expense		Bank Account		Trading Profit and Loss					
h	140	0	b	78,165	109,449 a	f	25	179 f	
	0	0	c	109,449	78,165 d		0	150 f	
	0	0		0	0		0	0	
	0	0		0	0		0	0	
	0	0		0	0		0	0	
	140	0		0	0		0	304	
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REPO MARGIN CALCULATIONS

I. Inventory Margin (trade date)

	GOC 9.5% 10/01/98	GOC 8.5% 04/01/02	
Position	100,000	(25,000)	
Market Price	<u>105.75</u>	<u>100.55</u>	
Margin Rate	105,750 <u>2%</u>	(25,138) <u>4%</u>	Total
Margin	<u>2,115</u>	<u>1,006</u>	<u>3,121</u>

II. Term Risk Margin

Term repo for 60 days

Pro-rate 52 days remaining at month-end to end of financing term/365 x repo balance liability x applicable margin rate

$109,629 \times 1\% \times 52/365 = 156$

Net margin offset is available to the extent the Dealer is **short** other government debt with a maturity less than one year.

III.1 Counterparty Margin (assuming written repo agreement)

	<u>Repo</u>	<u>Reverse Repo</u>
Counterparty	Acceptable Counterparty	Regulated Entity
Repo balance payable	109,629	N/A
Market value plus coupon accrual of security received [75,000 x 100.55% + (2,603 + 140)]	N/A	78,156
VERSUS:		
Market value plus coupon accrual of security delivered	109,836	N/A
Reverse repo balance receivable	<u>N/A</u>	<u>78,276</u>
Required margin	<u>207</u>	<u>120</u>

III.2 Counterparty Margin (assuming NO written repo agreement - apply extended settlement date margin rule)

	<u>Repo</u>	<u>Reverse Repo</u>
Counterparty	Acceptable Counterparty term > 30 days (margin)	Regulated Entity term < 30 days (market deficiency)
Repo balance payable	109,629	N/A
Market value plus coupon accrual of security received [75,000 x 105.55% + (2,603 + 140)]	N/A	78,156
VERSUS:		
Market value plus coupon accrual of security delivered + Extended Settlement Margin (109,836 x 2%)	109,836 2,197	N/A
Reverse repo balance receivable	<u>N/A</u>	<u>78,276</u>
Required margin	<u>2,404</u>	<u>120</u>