



TRINIDAD AND TOBAGO SECURITIES AND EXCHANGE COMMISSION

Sale and Repurchase Agreements Guidelines

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Section I - Interpretation

1. These Guidelines may be cited as the Repo Guidelines.

2. (1) In these Guidelines unless the context otherwise requires -

“the Act” means the Securities Act, 2012 (“SA 2012”) as amended from time to time together with its related By-Laws and Fee Schedules;

“Approved Foreign Jurisdiction” means a “designated foreign jurisdiction” as defined by the SA 2012;

“Business Day” means any day, other than a Saturday or Sunday or any other day on which there is declared a public holiday in the Republic of Trinidad and Tobago;

“Buyer” refers to the party who is buying securities under the first leg of a Repo;

“Collateral Securities” refers to securities, financial instruments or deposits of the currency that are delivered by the Seller to the Buyer to support a Repo transaction;

“Coupon” refers to a fixed interest payment;

“the Commission” means the Trinidad and Tobago Securities and Exchange Commission, established under **Section 5** of the Act;

“Custodian” refers to the Trinidad and Tobago Central Depository (“TTCD”) or a person registered or regulated as a custodian in Trinidad and Tobago or in an approved foreign jurisdiction;

“the Exchange” means the Trinidad and Tobago Stock Exchange Limited;

“FIA” means the Financial Institutions Act, 2008 as revised or amended;

“Financial Assets” means cash, securities, or any contract of insurance, or deposit or evidence thereof that is not a security for the purposes of the Act.

“Government Entity” means a “government entity” as defined under the Act;

“Haircut” refers to the percentage discount deducted from the market value of a security that is being offered as collateral in a Repo in order to calculate the purchase price;

“Institutional Investor” means an investor as defined under Section 72(2) (c) – (i) of the Act.

“Maintenance of Margin” occurs when the market value of the Collateral Securities in a Repo changes and the parties to the transaction are required to adjust the amount of Collateral Securities in the transaction to maintain the required Margin level;

“Margin” is the amount by which the value of the Collateral Securities exceeds the value of the Repo transaction;

“Margin Call” is a request by one counterparty for the agreed Margin to be reinstated or to restore the original cash/securities ratio to parity;

“Mark-to-Market” means the act or process whereby a value is assigned to a financial instrument based on the current market price of that instrument. This is normally done to ensure that the Margin requirements for a particular security are being observed;

“Non-Institutional Investor” means Buyers other than Institutional Investors defined above;

“Repo” means a **“Sale and Repurchase Agreement”** which is the sale of a security with a commitment by the Seller to buy the same or equivalent security back from the Buyer at a specified price and at a designated date in the future;

“Reverse Repo” is the purchase of a security with a commitment by the Buyer to re-sell the same or equivalent security to the Seller at a specified price and at a designated date in the future;

“Seller” refers to the party who is selling the securities under the first leg of the Repo;

“Substitution” is the ability of a Seller of securities to recall them from the buyer and replace them with other securities.

3. (1) These Guidelines are not intended to regulate Repos issued between institutions licensed under the FIA and the Central Bank of Trinidad and Tobago or between banks licensed under the FIA.
- (2) These Guidelines apply to all Repos where there is no outright transfer of legal ownership and title of the Collateral Securities from the Seller to the Buyer.
- (3) The requirements set out in these Guidelines apply in addition to any other requirements contained in the Act, By-Laws or any other Guidelines.

Section II – Conduct of Business

4. (1) The minimum value for Repo Transactions is TTD 60,000 for transactions denominated in Trinidad and Tobago dollars or the equivalent of USD 10,000 for transactions denominated in any other currency.
- (2) Participants in the Repo market shall at all times conduct their business in such a manner so as not to bring the Repo market into disrepute.
- (3) No participant shall under any circumstances enter into Repo transactions specifically to limit the availability of any securities with the intention of creating a false or distorted market in that security.

Section III – Registration

5. (1) No person shall carry on the business of a Repo Seller unless registered with the Commission as a broker-dealer.
- (2) All broker-dealers engaged in the business of a Repo Seller shall at all times maintain the capital levels set out in the Act, its associated By-Laws or any other capital requirement as prescribed by the Commission.
- (3) All persons presently carrying on the business of being a Repo Seller shall, comply with the requirements of these Guidelines and upon failure to do so shall cease to carry on the business of a Repo Seller, but shall be entitled to apply for registration whenever he is able to meet those requirements.
- (4) Adherence with Clause 5(3) does not preclude the Commission from initiating any enforcement action permitted under the Act where applicable.

Section IV – Business Hours

6. Unless the parties to the trade otherwise agree, all trades, except overnight and open trades, done 30 minutes before the close of business on the Exchange are assumed to be cash trades and all trades, except overnight and open trades done after this time are assumed to be next day settlement trades.

Section V - Collateral Securities

7. (1) All Collateral Securities that are the subject of Repos must either be registered with the Commission or registered in accordance with the securities laws or regulations of an Approved Foreign Jurisdiction.
 - (2) Repos to Non-Institutional Investors should be restricted to the following:
 - a) Treasury Bills and Treasury Notes issued by the Government of Trinidad and Tobago (“GORTT”);
 - b) Bonds issued or guaranteed by GORTT provided that those bonds were issued in Trinidad and Tobago;
 - c) Eurobonds issued by GORTT;
 - d) Bonds issued by state agencies of GORTT;
 - e) Bonds issued by statutory bodies established within Trinidad and Tobago and
 - f) Corporate bonds listed on the Exchange.
 - (3) Collateral securities must not be used to cover short sales.
 - (4) Collateral securities must not be subject to margin purchases where these are held by other brokers.
 - (5) Collateral securities must not be otherwise pledged or used as collateral.

Section VI – Business Day Convention

8. Where the maturity date of a Repo falls on a day that is not a Business Day, the maturity date shall be the first following day that is a Business Day. Market participants are encouraged to both inquire and to specify the exact maturity dates for transactions prior to maturity.



Section VII – Repo Rate

9. Unless otherwise agreed by the parties, calculation of the Repo rate is on the basis of 365 days per year.

Section VIII – Repurchase Price

10. Unless otherwise agreed between the Buyer and the Seller, the repurchase price shall be a function of the principal amount invested by the Buyer, the interest rate and the term of the Repo.

Section IX – Substitutions

11. (1) Substitution should be allowed only where specified in an agreement between the Buyer and the Seller, and the agreement will include specification of the securities that may be substituted, records to be kept and requirements for disclosure to the investor.
(2) Collateral securities shall not be sold without first assigning another suitable asset in its place. The process must be in place with the required controls to effect the assignment.
(3) Substitution of assets should only be permitted by the Buyer where the Collateral to be substituted is of equal or greater value than the original asset. Where Collateral securities are sold the assigned security must be of equal or greater value than the security that was sold.

Section X – Custody and Custodian

12. (1) Custody arrangements should provide for all Buyers to have a perfected interest in the Collateral security in accordance with the rules and procedures of the custodian.
(2) All securities that are used to collateralise Repos shall be held with a Custodian.

- (3) All securities that are used to collateralize Repos sold to Non-Institutional Investors shall be held under the custodianship of the Trinidad and Tobago Central Depository (“TTCD”) or any other custodian approved by the Commission.
- (4) Where a Repo, which is sold to an Institutional Investor, is collateralised by a security issued outside of Trinidad and Tobago, such security must be held under the Custodianship of an entity that is registered and/or regulated by a securities regulator or banking regulator that operates in an Approved Foreign Jurisdiction. The existing list of Approved Foreign Jurisdictions is contained in Appendix 1 of these Guidelines and may be modified from time to time.
13. (1) A Buyer’s interest in securities shall be evidenced by an assignment in the books of the Custodian.
- (2) For the purpose of these Guidelines the pledging of Collateral Securities by the Seller with the Custodian, shall represent an assignment of the said securities in favour of the Buyer. In the event of default in relation to either the Buyer or the Seller, the Custodian will take the necessary steps as directed by the non-defaulting party in accordance with the master repurchase agreement (“MRA”) and the Custodian’s operating rules.
14. (1) The custodian shall maintain adequate and separate records in respect of Collateral Securities including-
- (i) movements, that is sales and purchases, in the assigned pool of, or securities subject to Repo securities; and
 - (ii) physical custody or location.
- (2) The Custodian in carrying out its duties in respect of the safekeeping of and dealing with the Collateral Securities shall exercise its fiduciary duty with the degree of care and skill that a reasonably prudent Custodian would exercise in the circumstances.
- (3) A sale and repurchase agreement shall not relieve the custodian from liability to a Buyer for losses arising out of the failure of a custodian to exercise the standard of care, due diligence and skill imposed by this Part.

Section XI – Confidentiality

15. (1) Participants in the Repo market shall at all times treat the names and identities of parties to transactions as confidential except where required by law.

Section XII – Legal Agreement

16. (1) Repo transactions shall be subject to a Master Repurchase Agreement between the Seller and Buyer. The agreement should at a minimum:-

- (i) be written in plain English;
- (ii) include a description of the nature of the security and the risk;
- (iii) provide for the perfection of the interests in the security;
- (iv) specify the custody arrangements regarding the Collateral Securities;
- (v) specify the rights and obligations of the Buyer and the Seller;
- (vi) provide for monthly Mark-to-Market of transactions;
- (vii) provide for appropriate Margin and for Maintenance of Margin, whenever Mark-to-Market reveals a material change in value;
- (viii) specify clearly the events of default and the consequential rights and obligations of the counterparties;
- (ix) provide, in the event of default, for full set-off of claims between the parties;
- (x) make provisions clarifying the rights of the parties regarding the substitution of capital and treatment of Coupon and interest payments including, for example, the timing of any payments;
- (xi) include provisions pertaining to break rates;
- (xii) include provisions pertaining to the resolution of disputes which may include, but which are not limited to, resolution of the dispute in the High Court of Trinidad and Tobago and/or arbitration.

(2) The Master Repurchase Agreement shall not contain provisions that conflict with these Guidelines, the Act or By-Laws.

Section XIII – Margins

17. (1) A Haircut or Margin shall be applied at the time the Repo transaction is entered. The recommended minimum initial Margins are contained in Parts A and B in Appendix 2 of these Guidelines. This Guideline does not change the discretionary authority of the Commission and the recommended initial Margin requirements in Appendix 2 may be amended or modified from time to time.



- (2) Repo transactions shall be Mark-to-Market at minimum on a monthly basis. The goal of the Commission is to recommend that Repo transactions be mark-to-market in the most timely and efficient manner.
- (3) Unless the parties to the trade otherwise agree, Margin Calls in all Repo transactions shall be met with transfers of Collateral Securities or cash, or a Re-Pricing of the Collateral Securities. In the event that the party subject to a Margin Call chooses to meet its Margin Call with Collateral Securities, this will be met with transfers of Collateral Securities which are of equal or greater quality than the Collateral Securities being used in the Repo transaction and must also be reasonably acceptable to the Buyer and applied on a reasonable basis.
- (4) Unless the parties to the trade otherwise agree, in the event that the Seller chooses to meet its Margin Calls with cash, such cash should not be used to change the substance of the trade.
- (5) Unless the parties to the trade otherwise agree a party wishing to Mark-to-Market its counterparties shall do so by 1:00 pm of the same day but need not specify which issue is being marked. Such specifications, once agreed by both parties, should be made within one hour of initial notification. Collateral Securities for Margin shall be allocated and notified by the counterparty prior to 3:00pm of the same day.
- (6) Unless the parties to the trade otherwise agree all Margin obligations shall be settled no later than at T+5. The goal of the Commission is to recommend that Margins be settled in the most timely and efficient manner with the final goal of real time Margin.

Section XIV – Confirmation of Deals

18. (1) Parties in repurchase transactions shall ensure that a written or electronic confirmation of the Repo transaction is issued on the day on which the transaction takes place. This confirmation shall include -
 - (i) the description of the Collateral Securities, including the type, the name of the issuer, the maturity date, the coupon rate of security, the nominal amount and the market price of the securities;

- (ii) the purchase price, that is, the price at which the Collateral Securities are bought by the Buyer;
- (iii) the transaction date, that is, the date on which the Buyer and Seller agree to enter into the Repo transaction;
- (iv) the repurchase price; and
- (v) the repurchase date, the date on which the Seller is to repurchase the Collateral Securities from the Buyer,

and the counterparties shall exchange the maximum information relating to the economically known components of the transaction.

(2) Electronic confirmation shall only be accepted by a party, where the receipt by electronic message is automatically generated on the date on which the transaction took place.

(3) A Buyer shall ensure that any confirmations that he receives are checked on the day of receipt and that any queries on the terms are immediately conveyed to the Seller.

Section XV – Obligation to Make Coupon Payment

19. A Seller is entitled to receive all interest and other income on securities subject to repurchase transactions to the same extent it would have been entitled to receive such interest and other income had it not entered into repurchase transactions on the securities.

Section XVI – Settlement

20. (1) Unless mutually agreed between the Buyer and Seller, settlement shall be on the basis of payment against delivery of the security transacted.

(2) All transactions shall be settled no later than at T+3.

(3) Where the Seller has caused any delay in settlement, the counterparty shall have the right to claim from the Seller the loss of interest, if any, on the net amount of the transactions calculated in accordance with the terms of the Master Repurchase Agreement.



Section XVII – Default and Close-Out

21. In the event of a default, the procedures contained in the Master Repurchase Agreement shall be followed.

Section XVIII– Disclosure and Reporting

22. A Seller shall comply with the continuous reporting requirements set out in the Commission's Micro and Macro Prudential Reporting Framework.

23. (1) A Seller shall –

- (i) submit to the Commission the following;
 - (a) the disclosure statement;
 - (b) policies and procedures for the Repo operations, including mark-to-market pricing methodologies;
 - (c) a copy of their standard form MRA;
 - (d) the form of all other transaction documents, e.g. confirmations;
 - (e) marketing material; and
 - (f) the term sheet containing a summary of the MRA
- (ii) Where there is an update or revision to any item in 23(1)(i) above, notify the Commission no later than three (3) business days of the date of update or revision.
- (iii) a declaration of compliance with the Guidelines signed by the Chief Executive Officer and two (2) Directors.

(2) The Financial Statements shall be made available to all clients and the Commission for inspection. For the purpose of these guidelines, financial statements include –

- (i) Interim Financial Statements which must be prepared on a quarterly basis and filed within 60 days of the end of the quarter to which they relate;
- (ii) Audited Comparative Financial Statements which must be filed within 90 days of the end of the financial year; and
- (iii) A Management Discussion and Analysis which must be filed within four (4) months of the end the company's financial year.

(3) The marketing material shall –

- (i) identify the transactions as Repos;
- (ii) state that the funds invested are not deposits and not covered by the Deposit Insurance Corporation;
- (iii) describe the significant risks associated with the transaction;
- (iv) include a summary of the rights and obligations of both the Buyer and the Seller; and
- (v) include a glossary of all technical terms related to repurchase transactions.

Section XIX - Operational Requirements

24. (1) The Seller shall develop and implement documented policies and procedures for Repo operations, monitor compliance and maintain a compliance log.

(2) The Seller should ensure that there are-

- (i) operational systems for transactional valuation and financial reporting; and
- (ii) adequate human, financial and operational resources.

(3) The Seller shall maintain records of the following –

- i) Collateral Securities and the specific assignment of each to Repo transactions;
- ii) Trade confirmations as required in Clause 18; and
- iii) All agreements and communications with clients.

25. The Seller shall maintain at all times the capital levels set out in the Act, its associated By-Laws or any other capital requirement as prescribed by the Commission.

26. The total value of Repos outstanding shall not exceed 75% of the Seller's total liabilities. This Clause 26 shall automatically be replaced by the enactment of a risk based capital adequacy framework by the Commission.

27. Repo transactions are subject to inspection by the Commission in accordance with Section 89 of the Act.



Section XX – Non-Institutional Investors

28. A Non-Institutional Investor may be treated as an Institutional Investor on request provided the following:
- i. The definition of a Non-Institutional Investor outlined in these Guidelines has been satisfied; and
 - ii. The Non-Institutional Investor states, in writing, to the Seller that he wishes to be treated as an Institutional Investor;

Should the Seller become aware that the Non-Institutional Investor no longer fulfils requirement (i) above, the Seller must take appropriate action which may include, but not be limited to, informing the relevant investor that they no longer meet the requirements under these Guidelines and that in future transactions, they will be treated as a Non-Institutional Investor until such time as the requirements are met.

Appendix 1

The List of Designated Foreign Jurisdictions

1. Albania	26. Dubai	51. Labuan	76. Qatar
2. Andorra, Principality of	27. Egypt	52. Latvia, Republic of	77. Romania
3. Argentina	28. El Salvador	53. Liechtenstein, Principality of	78. Russia
4. Australia	29. Estonia	54. Lithuania	79. Saudi Arabia, Kingdom of
5. Austria	30. Finland	55. Luxembourg, Grand Duchy of	80. Serbia, Republic of
6. Bahamas, The	31. France	56. Macedonia, Former Yugoslav Republic of	81. Singapore
7. Bahrain, Kingdom of	32. Germany	57. Malawi	82. Slovak Republic
8. Bangladesh	33. Gibraltar	58. Malaysia	83. Slovenia
9. Barbados	34. Greece	59. Maldives, Republic of	84. South Africa
10. Belgium	35. Guernsey	60. Malta	85. Spain
11. Bermuda	36. Hong Kong	61. Mauritius, Republic of	86. Sri Lanka
12. Bosnia and Herzegovina, Federation of	37. Hungary	62. Mexico	87. Srpska, Republic of
13. Brazil	38. Iceland	63. Mongolia	88. Sweden
14. British Virgin Islands	39. India	64. Montenegro	89. Switzerland
15. Bulgaria	40. Indonesia	65. Morocco	90. Syria
16. Canada	41. Ireland	66. Netherlands, The	91. Tanzania
17. Cayman Islands	42. Isle of Man	67. New Zealand	92. Thailand
18. China, People's Republic of	43. Israel	68. Nigeria	93. Tunisia
19. Chinese Taipei	44. Italy	69. Norway	94. Turkey
20. Colombia	45. Jamaica	70. Oman, Sultanate of	95. United Arab Emirates
21. Croatia, Republic of	46. Japan	71. Pakistan	96. United Kingdom
22. Cyprus, Republic of	47. Jersey	72. Palestine	97. United States of America
23. Czech Republic	48. Jordan	73. Peru	98. Uruguay
24. Denmark	49. Kenya	74. Poland	99. Vietnam
25. Dominican Republic	50. Korea, Republic of	75. Portugal	100. West African Monetary Union



PART A

Minimum Margin Requirements for Non-Institutional Investors

Residual Maturity	Margins	
	Sovereign issues (%)	Other issues (%)
Up to 1 yr	1	2
Over 1 yr to 3 yrs	3	3
Over 3 yrs to 5 yrs	4	7
Over 7 yrs to 11 yrs	4.5	7.5
Over 11 yrs	4.5-6.0	7.5-9.0

PART B

Minimum Margin Requirements for Institutional Investors

For all issues, both sovereign and corporate, Institutional Investors must adhere to a minimum Margin requirement of 2%.