

Update No. 2001-1

In order to eliminate confusion and promote greater efficiency in the repo markets for agency securities, the Funding Division Trading Practices Committee of The Bond Market Association's Funding Division is publishing a Trading Practice Guideline clarifying what it believes should constitute "good delivery" of collateral trading under the general agency collateral line. The recommendation of the Agency Collateral Task Force resulted from its determination that, pursuant to current market practice, most dealers already follow certain practices in determining acceptable general agency collateral. It was the general consensus that the Restated Repo Trading Practices Guidelines should reflect this current market practice. The following Guideline is limited to delivery versus payment and General Collateral Finance (GCF) service repurchase agreement transactions in agencies, including those which are submitted for comparison and/or netting to a clearing corporation (e.g. Government Securities Clearing Corporation).

This Repo Trading Practice Guideline is a recommendation only and is intended for the Association member firms in order to promote the smooth functioning of the market for securities. The recommendation does not and should not restrict the flexibility of counterparties to negotiate the specific terms of any particular repo transaction.

(The following paragraph shall be added to the August 1, 1996 *Restated Repo Trading Practices Guidelines*)

O. Acceptable Collateral for General Agency Collateral Trades

Unless the parties to a trade otherwise agree, collateral trading under the general agency collateral line shall be limited to the following agencies: Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Federal Farm Credit Banks (FFCB) and Federal Home Loan Banks (FHLB). The terms of such collateral would be limited to fixed rate notes (including discount notes, callable notes and MTNs) for which there is a generally recognized pricing source. (Note that subordinated debt and zero-coupon notes issued by these agencies are excluded from trading under the general agency collateral line.) This Guideline is applicable to delivery versus payment and General Collateral Finance (GCF) service transactions only, including those which are submitted for comparison and/or netting to a clearing corporation (e.g. Government Securities Clearing Corporation).