



Update No. 97-1 Repo Trading Practices Guidelines

In order to eliminate confusion and promote greater efficiency in the repo markets for Treasury Inflation-Indexed Securities, the Trading Practices Committee of The Bond Market Association's Funding Division is publishing a Trading Practice Guideline recommending that *repurchase agreement transactions only* in Treasury Inflation-Indexed Securities be quoted on the basis of an "all in" price — including the inflation adjustment to the principal amount and the accrued interest on such inflation-adjusted principal. This trading practice guideline would apply to repurchase agreement transactions in Treasury Inflation-Indexed Securities, including those which are submitted for comparison and/or netting to a clearing corporation (Government Securities Clearing Corporation and Delta Clearing Corporation).

This trading practice guideline applies only to repurchase agreement transactions involving Treasury Inflation-Indexed Securities. *The Bond Market Association's Inflation Bond Trading Practices Guidelines* (dated December 18, 1996), which recommend that prices of Treasury Inflation-Indexed Securities be quoted on the basis of a "clean" price basis (unadjusted for inflation), remain in effect with respect to cash market transactions in these securities.

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*)

N. Quoting of Prices for Repos Involving Treasury Inflation-Indexed Securities

It is recommended that prices for repurchase agreement transactions involving Treasury Inflation-Indexed Securities be quoted on the basis of an "all in" price — including the inflation adjustment to the principal amount and the accrued interest on such inflation-adjusted principal. This includes repurchase agreement transactions involving Treasury Inflation-Indexed Securities which are submitted to a clearing corporation for comparison and/or netting (unless otherwise inconsistent with the rules of the particular clearing corporation).