



IIFM - ICMA Workshop

Habib Motani - Clifford Chance LLP
April 2007

CLIFFORD
CHANCE

Overview of the Global Master
Repurchase Agreement

History

- Based on US, New York law Master Repurchase Agreement
- First GMRA 1992, updated 1995
- Current version GMRA 2000
- English law governing law

CLIFFORD
CHANCE

IIFM - ICMA Workshop - April 2007

1

Scope

- On demand and term repurchase transactions of securities
- Written for vanilla transactions
- Also permits buy sell back transactions

Basic Transaction

- Day 1 Buyer pays Purchase Price against Purchased Securities
- Days 2 and 3 Margin Transfers
- Day 3 “pass through” of income
- Day 4 Seller pays Repurchase Price against Equivalent Securities and Equivalent Margin Securities

Margining

- Day 1 Value of Purchased Securities versus Purchase Price sets the margin ratio
- Every day revaluation and margin transfer to restore ratio
- Calculated across outstanding repos where multiple transactions

Income

- Buyer pays amount equal to income paid on Purchased Securities during life of transaction
- Seller pays amount equal to income paid on margin securities during life of transaction
- Payable irrespective of whether received

Equivalent Securities

- Securities “repurchased” are equivalent securities
- Margin “returned” is equivalent margin
- Important to protect integrity of purchase and sale (i.e. legally not a security interest)

Events of Default, Close-out and Netting

- “Collateralisation” mechanism is dependent on ability to close out and net upon event of default
- Common Events of Default, but note no cross default
- Value each party’s obligations, “cash up” and set off
- Netting must be effective against counterparty



Habib Motani

Tel: +44 (0)20 7006 1718

Email: habib.motani@cliffordchance.com

IIFM - ICMA Workshop

CLIFFORD
CHANGE

www.cliffordchance.com

Clifford Chance, 10 Upper Bank Street, London, E14 5JJ, UK
© Clifford Chance LLP 2007
Clifford Chance LLP is a limited liability partnership registered in England and Wales under number OC333571
Registered office: 10 Upper Bank Street, London, E14 5JJ
We use the word 'partner' to refer to a member of Clifford Chance LLP, or an employee or consultant with equivalent standing and qualifications
UK/1244642/01