In order to streamline the input for the discussion of market practice and syntax usage, ISITC has developed a template to be used for all requests. _____

Description of Business Issue:

a. Origin: Company and Contact

Julie Feely – BBH

Jason Brasile – State Street

Shereef Zedan - NT

b. Nature of Request

In order for consolidation of the ISITC and SMPG bi-lateral repo market practice, ISITC has performed a gap analysis of differences between existing documented recommendations. Differences in scope such as message methods and closing scenarios should align to the more encompassing recommendation. Any differences in field recommendations or business process on overlapping scenarios are documented below in the business context section.

c. Message Types:

- MT54x and 54y messages
- MX messages are out of scope of this MP as separate sub-group around security finance message usage on-going

d. Business Context:

Differences identified include:

1. SMPG MP highlights both the single and multi -message method and does not provide a recommendation as to in what closing scenarios and what markets one method is preferred over the other. Need to discuss with SMPG how to present individual NMPG recommendations vs. global guidance. Complex repo closings vs. simple fixed rate, term maturity repos such as overnights that are a significant amount of volumes in some countries.

   -Potentially just focus on what is known. IE> FR and US push for the single message method only.

   -Specific markets (sub-custodians) not accepting repo market practice formats at all. They require straight RVP or DVP and cash movement.   List of markets this is happening to be provided by Shereef/Roger.

   [10/29 – Both approaches are included in the global MP rewrite/consolidation. Initial focus has been placed on single message method. No changes incorporated into SMPG multi-message recommendations, included as-is]

2. ISITC MP does not have detailed illustrations of confirmation process as the current SMPG MP format does. ISITC MP has matrix and field recommendations table that are aligned with the SMPG illustrations other than not referencing the field 20C::RELA in the Linkage sequence of the confirmation as mandatory. Consolidated doc should contain illustrations from SMPG MP and adhere to SMPG recommendation to recommend 20C::RELA. Need to discuss with SMPG agreement that confirmation will only include the 20C::RELA of the last repo instruction received and not all previous instructions. For example: Confirmation of the closing leg instruction only references the closing leg instruction 20C::SEME and not also the opening leg 20C::SEME.

   [10/29 – confirmation process / samples have been included in consolidated version of the MP as well as consistent recommendations around usage of 20C::RELA. General Message Usage Rules have been updated to state that confirmations will "only include the 20C::RELA of the last repo instruction received and not all previous instructions. For example: Confirmation of

the closing leg instruction only references the closing leg instruction 20C::SEME and not also the opening leg 20C::SEME"]

3. ISITC and SMPG MP do not explicitly recommend the usage of the 20C::PREV within the linkage sequence on the opening leg repo cancellation as required under the single message method process during the closing of the repo. Both MPs imply the usage through the illustrations/samples within the single message method, but preference is to have additional language to make clear.

    "*Where there is a cancel to modify a repo contract for a repo closing scenario under the single message method, it is mandatory to provide a previous reference (PREV) in the linkages sequence of the cancellation that contains the reference number of the original transaction (SEME from the original or first transaction) that is being amended. In the event multiple closing scenarios occur, the PREV reference of the follow-up cancellation will contain the most recent replacement instruction SEME and not the original opening repo.*

    [10/29 – MP updated to reflect language / statement above. Furthermore, the MP recommends that "when cancelling & amending, both the cancellation message and new instructions should contain appropriate linkage back to the initiation instruction]

4. SMPG single message method section on Substitutions (pg. 12) recommends the multi message method with offsetting instructions instead of a cancellation and rebook with same MT type. ISITC is consistent with recommendation of single message method to cancel original and replace with new same MT type. Need to discuss with SMPG as to why Substitutions were made an exception to follow multi message method or if this was a copy/paste of the multi message method section of the MP in error?

    [10/29 – Identified to be a copy and paste error in the single message section of the current SMPG MP]

5. SMPG single message method section on rollovers for single message method (pg17) notes a cancellation of original and replacing same MT type should be sent consistent with other closing scenarios of the single message method.(Exception being substitutions as noted above in #3) ISITC and France had agreed during alignment discussions around rollovers/renewals that cancellations were not necessary for pair-offs/renewals. Refer to below Appendix A on list of closing scenarios where it needs to be agreed if we want to consistently recommend a cancellation or just a replacement under the single message method.
    Below matrix to be completed based on discussion of Appendix A –
    Discuss if as clean and simple as my contract instruction impacting closing scenarios recommend a cancellation, while any collateral instruction impacting closing scenario does not require a cancellation?

    [10/29 – At Boston SMPG Session it was determined that "if a repo contract is allowed to mature as is, it does not need to be cancelled. Rolls should not require a cancel since the repo contract is allowed to mature. Table below is updated to reflect cancellation recommendations]

Repo Closing / Amendment Scenarios	Cancellation of Original required?
Re-rates	Y
Re-price	Y
Calls (Early Maturity) or Maturity Changes	Y
Rollover	N
Renewal (FR)	N

Repo Closing / Amendment Scenarios	Cancellation of Original required?
Swaps	N
Substitutions *cancellation required as the CANC serves as the indicator for the subbed for collateral to be returned	Y*
Top-up	N
Withdrawal	N
Rehypothecation • Rehyp to be removed from consideration is this is not an amendment / closing scenario.	REMOVE* [12/11 – done]
Pair-off	N
Rollover of Contract matuirty with Over Pair-off of Collateral	N
Rollover of Contract maturity with Under Pair-off of Collateral	N
Rollover of Contract maturity with Flat Pair-off of Collateral with Loss	N
Rollover of Contract maturity with Flat Pair-off of Collateral with Gain	N
Renewal of Contract maturity with Increase of Collateral	N
Renewal of Contract maturity with Decrease of Collateral	N
Renewal of Contract maturity with Even Collateral with Gain	N
Renewal of Contract maturity with Even Collateral with Loss	N

6. Multiple pieces of collateral recommendations within SMPG MP includes samples of confirmations (for single message method only), while ISITC did not. This will be addressed throughout consolidated MP through gap #2 highlighted above to include confirms. But, we also need to make sure the multi message method section has samples added for multiple pieces of collateral for both instructions and confirmations. Also, need to include usage of field 99B::SETT within samples as noted in recommendations section 2.9 of the ISITC MP (pg. 24) In addition, SMPG MP needs to account for various scenarios in which collateral needs to be split out due to market requirements. For example, ISITC MP states that if collateral is settling via FED, it must comply with 50MM the settlement restriction and therefore IM must break down the collateral into multiple pieces at instruction to their global custodian. (p.11, p.66).

[10/29 – Confirmation samples to be added for multi pieces of collateral repo examples. Use of 99B::SETT consistently recommended. Revised MP includes recommendation for breakdown of FED 50MM.

REMAINS OPEN - Need SWG to address situation where a piece of collateral in a multi collateral repo is substituted. Specifically, the use of the :99B::SETT to identify what piece of collateral is being substituted for]

[12/11 – Multi-piece of collateral substitution sample added to MP. General confirmation samples are included in the revised MP as well]

7. US MP has a detailed appendix covering complex closing scenarios around repo contract rollovers, with a collateral pair-off and cash net gain/loss. As noted above in gap #5, alignment between US and France across all renewal/pair-off (over/under/flat with net gain/loss) need to be flushed out and illustrated in consolidated SMPG MP.

[10/29 – REMAINS OPEN. Repo rollovers (flat, over, under) require further discussion to ensure alignment. It was determined however at the SMPG sessions in Boston that rolls should not

require a cancellation message (in the single message method) because the contract is allowed to mature as is]

[12/11 – updated samples for flat, over and under Repo Roll scenarios have been added]

8. US MP notes an inconsistent recommendation of including the 19A::TRTE and 19A::ACRU within the Seq. D of the opening leg of the repo and reverse repo (Section 4.3 and 4.4 – pg. 47/48) for a fixed rate, open term date opening repo from what is stated in the samples of an open rate repo and reverse repo (Section 4.5-4.8 samples). The 19A::TRTE and 19A::ACRU should be noted as zero or omitted entirely from the Seq D in any scenario in which the 22F::RERT//VARI or :98A::TERM//OPEN is present as termination amount or accrued interest could not be included/calculated without both the rate and the maturity date known. Looking at the SMPG MP, this will need to be aligned as well as the samples in the illustration section II starting on page 6 do not include the field 22::RERT// which is a critical field noted in the ISITC MP section 2 (starting on pg. 19). The SMPG MP also does not note the 19A::ACRU field in the fixed rate, term date repo opening which would assume this is a recommended field based on the ISITC MP.   The SMPG MP also does not include any samples of open maturity date or variable rate open leg samples which will be addressed as we consolidate the two documents and use the more extensive example scenarios from the ISITC MP.

    [10/29 – :19A::TRTE & ACRU changes reflected in MP rewrite for scenarios where the rate is variable or the term is open. :22F::RERT field included in consolidated MP]

9. US MP states the field 99B::TOCO (Section 4.9 pg. 55 and section 4.10 pg 56) should contain the total pieces of collateral when a multi collateral scenario occurs. This is further clarified as a critical field in Section 2.9 on page. 24 of the ISITC MP. This is consistent with the SMPG MP recommendation noted in the multiple pieces of collateral sample in the II. Illustrations section D on page 11. However, a recommendation was included in the Section 4.0 Closure Report noted in the ISITC MP to always state 99B::TOCO as 001 (<= Total Number of collateral (will always be 1)) when a multiple piece of collateral scenario as noted in Tab 4 – pg. 75; Tab 5 – pg. 78).

    [10/29 – REMAINS OPEN. TOCO recommendations will be made consistent across scenarios / examples]

    [12/11 – TOCO recommendations are now consistent across revised version of MP]

e. Feedback from SMPG review
Business case V1.4 reviewed with SMPG SnR WG at November Johannesburg conference. Following feedback provided:

- Agreement with gap 1 and NMPGs will review matrix created and provide feedback
- Agreement with gap 2 and no concerns by SMPG
- Agreement with gap 3 and no concerns by SMPG
- Agreement with gap 4 that SMPG doc was a copy/paste error.
- Gap 5 discussed and WG felt rollover/renewal scenarios should be removed from contract only impact since already noted in collateral impact section stating no cancellation is required. Agreement with group that a cancellation should only be required when collateral is impacted and not when a contract term change is occurring.
- Gap 6 agreed and no concerns other than to keep language vague around markets requiring splitting
- Gap 7 agreed we should try to align the business process. But, likely need to provide both the US and FR recommendations as guidelines.

f. Other Key Market Practice Changes

1. Incorporated ISITC MP into SMPG template
2. Page 9 – added 'Collateral Quantity to Remain Outstanding' business data element which is required in amendment / closing scenarios
3. Page 10 – Added Table outlining Amendment / closing scenario cancellation message requirements
4. Page 10 – Added General Rules regarding Settlement Quantity Limits and responsibility for Breaking Down collateral
5. Page 10 – removed Swaps from amendment / closing scenarios table to keep amendment closing scenarios consistent throughout the document. In no other location are swaps referenced / defined
6. Pages 11 – 17 – Simplified the business data requirements section across all initiation and repo amendment / closing scenarios (removed repetitive data element requirements)
7. Page 14 – added new data table/matrix to identify key business data elements required for each initiation scenario and requirements to close each repo scenario
8. Page 15 – Enriched the definition of what a ROLL is and the impact it has
9. Page 16 – Added Top Up and Withdrawal as potential amendment scenarios (as per existing SMPG MP)
10. Page 17 – Created new data table / matrix to identify the key business data elements required for each repo amendment / closing scenario
11. Page 19 – added new General Message Usage Rules around the use of the :36B:: SIZE and SETT fields. Each field has been further defined. In addition, it has been noted that, **_"If the Instructing Party is performing settlement quantity breakdowns both the :36B SIZE and SETT fields should reflect the breakdown as well. This is required in order to ensure appropriate collateral settlement movements (:36B::SETT) are instructed as well as to allow for accurate collateral return quantities (:36B::SIZE) to be booked in support of repo termination (maturity)."_**
12. _Page 20 – Enriched Multiple Pieces of Collateral Message Usage Guidelines to better define critical fields / tags as well as provided examples for further clarity_
13. Page 24 – Updated the Roll scenario in more detail. Further clarity around the recommended usage of the :36B::SIZE and SETT tags. In addition, outlined the potential to leverage these tags along with the Previous Message Reference to determine if a Roll is an Over, Under or Flat. The Example has been update to denote SIZE / SETT more clearly.
14. Page 25 – added message usage requirements for Top Ups and Withdrawals
15. Page 32, 33, 34 – Modified sample messages to a simpler layout / format. In addition included sample messages for REPRICES (PADJ), TOP UP, WITHDRAWAL.
16. Page 35 – Added revised sample messages for ROLL scenarios to include: FLAT, OVER and UNDER ROLPs and included a breakdown of the roll scenario as well as the resulting impacts
17. Page 36 – Added sample message for a MULTIPLE PIECE OF COLLATERAL amendment (substitution) which includes a description of the scenario as well as what the resulting impact of the amendment messages are
18. Renamed the :36B::SIZE field in each sample to reflect "Collateral Outstanding" vs. pair off quantity