
Market Notice

July 10, 2015

Classic Repo – MTS introduces a new contract type

Dear Client,

We wish to inform you that by the end of 2015 MTS intends to launch the new contract type *Classic repo*.

The introduction of classic repo will overcome a number of issues related to the use of the buy-sell back such as the calculation method for repos on CCT and the inability to negotiate long term repo on inflation indexed securities.

The settlement process of the classic repo remains largely unchanged from the one applied to buy-sell back contracts (BSB). Main changes are the following:

- The forward leg countervalue is calculated by adding the repo interest to the spot tel-quel value. In the forward leg, XTRM will separately report these two values while, differently from the BSBs, it will provide any information neither on the forward price nor on accruals;
- No coupon payment carried out between spot and forward leg settlement date is included into the computation of the forward countervalue. These amounts have to be recognized by the buyer to the seller (of the spot leg) on the coupon payment date. Therefore, in these cases, once received the trade X-TRM generates automatically a compensation on the involved ISIN code, through which the spot buyer recognizes the coupon amount to the seller;
- With the aim to clearly identify classic repos from BSB, new "type of operation" (that is PCR) has been introduced. Source and trading venue has remained unchanged.



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Furthermore, we note that the timing and the calculation method of the bilateral net balances have not changed and, holding the same netting criteria, the classic repos and the BSBs are included into the same bilateral net balance with the CCP.

More details are contained into the Operating Model, already shared with participants and available at the following [link](#). The related rules contained in the Service Instructions will enter into force at the introduction in production of the new type of contract.

The latest versions of Standards for Members, related to SWIFT, RNI and MT-A2A messaging, contain all adjustments to handle the classic repos. The Online X-TRM interface has been modified to allow the management of the new type of contract.

Finally, we remind that MTS Repo market will offer the trading of Classic Repos together with BSBs in a hybrid scenario, where members will be able to choose between the "Classic Repo and BSB" configuration or the "BSB only". For further information on any market configuration mode, you can contact MTS at the following address MTS-PostTrading@mtsmarkets.com

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