

**Decision no.2 /2007**  
**Issued on 15/1/2007**

**Regarding Contracts of Repurchase Agreements of Bonds**

**CMA Board Director,**

After reference to the Capital Market Law no. 95/1992 and its executive regulations,

Depository and Central Registry Law no. 93/2000 and its executive regulations,

Commercial code issued by law no. 17/1999,

Decree no. 480/2002 of the minister of finance regarding primary dealers' system,

Decree no. 723/2002 of the minister of finance regarding the regulatory rules for the implementation of primary dealers' companies issued by the decision no. 480/2002 of the minister of finance,

**Decided**

**Article (1)**

Without prejudice to CASE membership rules, licensed securities companies wishing to sign repurchase contracts and agreements shall acquire the license of a custodian, for themselves, any of their affiliates or holding companies.

**Article (2)**

The licensed company shall maintain the required financial arrangements for providing the finance needed for such repurchase agreements.

### **Article (3)**

In case the licensed bond brokerage and intermediary company undertakes the role of an intermediary among "primary dealers" in signing contracts of repurchase agreements of governmental securities, the main articles of the agreement are registered in the company's records.

### **Article (4)**

Bond brokerage and intermediary companies shall comply with the entry of sale and purchase orders according to the data approved by primary dealers. The operations' department at the company shall keep records of this data before execution of operations resulting from bond repurchase agreements.

### **Article (5)**

Brokerage companies and intermediaries shall notify both the securities exchange and MCDR of the execution of operations during the specified legal dates.

### **Article (6)**

Bond brokerage, dealing and intermediation companies shall have credit facilities at banks in case of executing a marriage operation in which they are part, and shall not get any commissions for such operations.

### **Article (7)**

The value of operations resulting from repurchase agreements are not included within the activities of the primary dealers in the secondary market.

### **Article (8)**

Re-purchase agreements shall be made according to the attached form, and execution documents shall be exchanged before the first sale operation.

### **Article (9)**

Execution documents of the repurchase and selling transactions shall include the following as a minimum:

- Name of both parties (buyer and seller) and their legal capacities.
- Address of correspondence
- The name and title of those who have signature rights on his behalf
- The bond's due date
- The prices agreed upon, and this includes:
  - Sell price
  - Repurchase price

### **Article (10)**

This decision shall be applicable as of the next day of its issuance.

CMA Chairman  
Dr Hani Sarie-EIDin

## **Contract Securities Repurchase**

It is on: .....

This contract was signed by the following two parties:

**First:**     Company\.....     CMA     license     no.:  
.....

Address:  
.....

Commercial register no.:..... Represented by: ..... Capacity:  
.....

(Referred to herein as the Company or first party)

First Party

**Second:** ..... Company:\  
.....

Address:  
.....

Commercial register no.:..... Represented by: ..... Capacity:  
..... Referred to herein as The Client

Second Party

### **Prelude**

Whereas the Company is licensed to practice dealing and brokerage in bonds, the Company wishes, under this contract, to sell to the Client governmental bonds and treasury bills (Bonds) that it may repurchase in accordance with this contract,

Whereas the Client wishes to purchase Bonds from the Company in return of a certain sum of money to be specified later,

Whereas the Client pledges to resell the Bonds to the Company at a later date in return of payment of another sum of money that was agreed upon between the two parties,

The two parties have agreed to conclude this contract in order to organize all selling and repurchasing transactions as per Capital Market Law no. 95\1992 and its Executive Regulations.

### **Article (1): PREAMBLE**

The previous preamble and any attached forms and correspondences shall be deemed an integral part of this contract.

## **Article (2): Definitions**

1. **Transaction date:** the date when the repurchasing agreement was concluded between the two parties.
2. **Repurchase due date:** the date on which the buyer is committed to deliver the related bonds to the seller who shall be also committed to pay for the buyer the collected sum of the repurchase in addition to their due return.
3. **Purchase settlement date:** the date of the start of the repurchasing transaction which is the first day to count the return rate.
4. **Related bonds:** those bonds that are specified by setting their due dates and coupon prices, if any, indicating whether they are governmental bonds or treasury bills.
5. **Return rate:** is the rate applied and upon which the repurchase return is calculated.
6. **Return payment date:** is the date of payment of due coupons on related governmental bonds.
7. **Return sum:** is return sum that is due at the repurchase due date calculated as follows: is return rate by the collected sum of the repurchase by the number of days between the purchase settlement date and the repurchase due date divided on 365.
8. **Market value of governmental bonds:** is the original outstanding bond value at the transaction date in addition to due return.
9. **Market value of treasury bills:** is the sum of the outstanding bill at the transaction date.
10. **Margin:** is the sum of money deducted from the bonds market value in order to determine the repurchase collected sum.
11. **LE bond price:** is the outstanding market value.
12. **Nominal value:** the original due sum at the bond's due date.
13. **Margin rate:** Is the percentage agreed upon between the company and the client that is related to the bonds market value for the account of the margin sum.
14. **Repurchase collected fund:** is the bond's market value agreed from which the margin sum is the deducted.

### **Article (3) Content of Repurchase Agreement**

3 -1 A repurchase agreement may be concluded orally provided that it is confirmed within 24 hours whether by the client or the company, via fax or by hand. The repurchase may also be conducted by telephone or email as per the CMA approval issued on \_\_\_\_\_ or via the internet in accordance with CMA chairman decision no. 50\2006.

The repurchase shall be conducted and recorded, with the knowledge of the company, by the telephone recoding system as well as on the company's books. The transaction shall be recorded on forms and under guarantees approved by the CMA stipulated in attachment no. (3) of the minister of investment's decree no. 54\2004.

3 -2 The seller shall deliver to the buyer the related Bonds at the date of purchase settlement in return of transferring the repurchase collected sums to the seller's account.

3 – 3 The two parties shall agree at the transaction date on the following:

1. Type of related bonds.
2. Bonds nominal value.
3. Purchase settlement date.
4. Bond price in LE.
5. Market value of bonds at due date.
6. Return rate.
7. Repurchase due date.
8. Margin rate.
9. Repurchase value.
10. Total sums of the original return paid by the company to the client at the repurchase due date.

### **Article (4): Demands for Margin Payment**

4 -1 If the bonds' market value was lower than repurchase collected sums, the Client may, according to his estimate, let the Company choose from the following choices:

1. To pay for the Client a sufficient cash sum of money to cover the deficit in the repurchase collected sums value to equal the outstanding market value of the Bonds.
2. Transfer Bonds of the same market value to equal the margin value that was initially agreed upon.

4 – 2 If the bonds' market value rises to equal or exceed the margin value that was initially agreed upon, the Company may immediately ask the Client to do the following:

1. Pay cash sums of money sufficient to refund the Margin Sum.

2. Offering a number of Bonds sufficient to refund the original Margin Sum within the repurchase collected sums.

#### **Article (5): Return Payment**

5 – 1 If the repurchase due date is after or more than return payment dates, the Client shall be committed to pay for the Company the value of those returns at the return payment date.

5 – 2 If the repurchase date is the same as the Bonds' due date, the Client shall be committed to pay for the Company the nominal value of treasury bills or governmental bonds and the coupon.

#### **Article (6): Payment and Transfers**

All payments are conducted through immediate payments unless the two parties agree in writing otherwise. All payments are conducted through deduction or addition to certain accounts specified by the two parties. Delivery and bond ownership transfer from one party to the other shall take place as follows:

1. As for treasury bills, their ownership is transferred through the entry system on the Egyptian Central Bank registers, if viable.
2. As for governmental bonds, they are delivered and their ownership transferred through the entry system on registers of Misr Clearance, Depository and Central Registry (MCDR).

#### **Article (7): Substitution**

The Company may, in case of similar objectives, substitute any of the bonds or treasury bills that were repurchased with new ones.

The substitution process takes place through an ownership transfer of those new bonds or bills to the buyer. Simultaneously, the ownership of the repurchased bonds is transferred and substituted for the seller.

Once the substitution process is done, the new bonds or bills shall replace the repurchased ones.

### **Article (8): Events of breaches**

The following are considered events of breaches

1. If the Company does not implement the repurchase or the Client does not resell the Repurchased Bonds or bills at the Repurchase due date.
2. If the company or the client is considered distressed.
3. If it is discovered that acknowledgments of the Company or the Client were incorrect or false when issued or reinsured or when they were in content considered issued or reinsured.
4. If the Company or the Client admits to the other the inability or reluctance to implement the commitment pertained in this contract.

### **Article (9): breach Redemption**

If any of breach events take place, it shall be redeemed by immediately taking one of the following procedures:

The party in breach shall be informed in writing with the repurchase due date of each repurchase transaction stipulated in this agreement.

If the company is the in breach, and the client practiced the right mentioned in the above paragraph (a) the following shall take place:

1. All obligations of the company shall be due as well as its repurchase commitment of the Bond that have been purchased as per all dealings concluded between the company and the client,
2. The company shall be committed to transfer to the client the ownership of all Bonds that have been purchased within all outstanding repurchasing transaction that is still at the company's possession.

If the client is in breach in a repurchase transaction:

Once the company takes all procedures of payment of repurchase collected sums concerning a repurchase transaction stipulated in this contract, all ownership rights related to repurchased bonds of the transactions shall be transferred to the company. The client shall be committed to deliver all Bonds to the company.

At the date of the breach, and once the written notification is sent to the party in breach the other party shall do the following:

#### **First: In case the company is in breach :**

- a) The other party (the client) may sell some or all of the Bonds that it purchased in a repurchase transaction in one of the recognized financial markets with the price it deems reasonable. The client may also use the



- resulting collected sums to pay for the repurchase transaction in addition to any other due sums on the party in breach as per this contract, or\
- b) Instead of selling all or some of the purchased bonds, the client may, according to his\her estimation, grant the party in breach a credit facility within the sum of the market value of those bonds at the time of granting the credit facility.

If it was difficult to determine the market value, the sum of money shall be specified according to the last traded price of the Bonds. If not, two purchasing offers prices shall be asked from two licensed primary dealers in bonds brokerage and intermediation in order to cover the unpaid repurchase and any due sums on the party. In breach

**Second: In case the client is in breach:**

The other party (the Company) may purchase Bonds (Substitute Bonds) of the same denomination and values of those repurchased and were not delivered as required from the party in breach (the Client) to the other party (the Company).

**Third: In cases that party in breach is the Client, the latter should remunerate the Company as follows:**

- 1) As for the purchased Bonds (other than the Substitute ones), the client shall be committed to pay the difference of prices that was paid by the Company to buy Substitute Bonds over the repurchased bonds.
- 2) As for the Substitute Bonds, the Client shall be committed to remunerate the Company for the price it paid for purchasing those Bonds. Furthermore, the Client shall remunerate the Company for what it shoulders of returns with the number of all actual or virtual purchase so as to pay all dues on the Client. The return price shall be calculated according to pricing of repurchase transaction.

Add to all previous rights, the other party shall get all resulting rights from any agreement or valid law.

**Article (10) The Nature of the Egyptian Central Bank Role**

The Egyptian Central Bank (ECB) is not considered a party in this contract at any way and it is not a partner in any of the repurchase transaction concluded herein.

The ECB role shall be restricted to being an agent for payment of treasury bills and governmental value when due and register any dealing on treasury bonds. At all cases, it is not subject to provisions of this agreement. The ECB is not also responsible for commitment of parties of the agreement to implement its articles.

### **Article (11) Contract Duration**

This agreement remains valid and organizing all repurchase transactions between the two parties so long as:

- a) One of the parties notifies the other in writing of the termination of this contract fifteen days before the termination, or
- b) Future termination and settlement of all outstanding repurchase transactions between the parties of this agreement.
- c) It is not permitted to conclude new repurchase transactions between the two parties after the date of delivery of the above mentioned termination notification and the written verification of such delivery by the receiving party.

### **Article (12) Dispute Settlement**

Disputes between the two parties of the contract shall be settled via arbitration as per provisions of Law no. 27\1994 promulgating arbitration in civil and commercial matters or through Cairo regional center for international commercial arbitration. The arbitration decision shall be final and irrevocable

At all cases, the Company shall send a copy of the arbitration award to the Capital market Authority.

### **Article (13)**

This contract was written in two copies; one for each party to be followed.

Company .....	Company .....
(Bond broker and intermediate)	(Client)
.....	.....
Signature .....	Signature .....
Capacity .....	Capacity .....
Date .....	Date .....