Guidelines for Repos in Uganda

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1.0 INTRODUCTION

1.1 These Guidelines issued by the Bank of Uganda (the "**BOU**") contain recommended best practices for market participants engaging in repo transactions in Uganda.

1.2 Repos are governed by master agreements. The Global Master Repurchase Agreement (2011 version) ("**GMRA"**), as amended by the Uganda Annex (see below), shall be the Master Agreement* that shall govern the trading of repos in UGANDA in its unamended form.

1.3 These Guidelines supersede all previous notices and Guidelines issued by the BOU in this regard.

1.4 These Guidelines will be administered by the BOU and may be reviewed periodically in consultation with other regulatory bodies and relevant stakeholders to ensure that they remain relevant and useful.

1.5 These Guidelines are intended to provide guidance and clarity on key aspects relating to repo transactions and must be read together with and within the context of all relevant laws that apply to repo transactions in Uganda and the parties thereto[1]. Where there is inconsistence between these Guidelines and the law, the latter shall prevail.

2.0 DEFINITIONS

In these Guidelines, unless the context otherwise requires, the following terms shall have the following meanings:

"Agency Repo" means a repo transaction entered by either party as an agent for a customer or customers (in the case of a pooled transaction).

"BOU" – means the Central Bank of Uganda

"Business Day" – means any day (other than a Saturday, Sunday, or official public holiday) on which banking institutions are generally open for the conduct of business in Uganda.

"Central Securities Depository" (CSD) means a financial market infrastructure that hold and transfer fungible securities.

"Eligible parties" – means the parties listed under paragraph 6 of these Guidelines.

"Event of Default" – means an Event of Default as specified under section 10 of the GMRA.

"FoP – (Free of Payment)" – means a delivery of securities which is not linked to a corresponding transfer of funds.

[1] Including but not limited to the Financial Institutions Act, 2004, and the Financial Institutions (Preference and Appraised Book Value) Regulations, 2023

“FoP Rules” – means the approved procedure for FoP transfers of securities.

“Forward Repo” – means a transaction with a purchase date that is one business day or more after the standard settlement date for cash transactions of securities.

“GMRA” – means the “Global Master Repurchase Agreement (GMRA)” complemented, by the relevant annex, published by the Securities Industry and Financial Markets Association (SIFMA) and the International Capital Markets Association (ICMA), or any successor agreement for repo transactions published by SIFMA, ICMA or a successor organization, which is enforceable in accordance with its stated governing law.

“Open Repo” – means a repo transaction initiated without a fixed repurchase date. The maturity continues until either party terminates the deal by due notice to the other.

“Repo” – means a transaction in which one party, referred to as seller, sells instruments to the counterparty, referred to as buyer, against the transfer of funds by the buyer, with a simultaneous agreement by the buyer to sell to the seller equivalent instruments at a repurchase date or on demand against the payment of funds by the seller.

“Sell/Buy-Back” is economically identical to a repo. The main difference being dependent on whether a manufactured payment is triggered by an income payment on the collateral. Counterparties who wish to trade Sell/Buy-Backs must execute the Sell/Buy-Back Annex.

“Term Repo” – means a repo with a fixed repurchase date.

3.0 REPO ELABORATED

3.1 A Repo is a generic name for both a Repurchase Transaction and a Sell/Buy-Back.

3.2 It is a sale of a quantity of securities by the Seller (the Purchase Securities) at a Purchase Price at the start of the transaction and a simultaneous agreement to repurchase the same or similar securities (the Equivalent Securities) from the other party (the Buyer) at a different price (the Repurchase Price) and at a future date (the repurchase date) or on demand (in the case of an open repo).

3.3 The sale of the securities implies outright transfer of legal title from the Seller to the Buyer. The collateral becomes the unencumbered property of the Buyer, who has the unfettered right to dispose of the collateral.

3.4 On the Purchase Date of a transaction, the Seller shall transfer the Purchased Securities to the Buyer or its agent against payment of the Purchase Price by Buyer.

3.5 On the Repurchase Date, the Buyer shall transfer to the Seller or its agent Equivalent Securities against the payment of the Repurchase Price by the Seller less any amount payable and unpaid by Buyer to Seller such as a manufactured payment due to Seller if income is paid to Buyer on collateral.

3.6 The Buyer can dispose of collateral during the term of the repo and is obliged to sell back only Equivalent Securities on the Repurchase Date. Equivalent Securities are as per the GMRA definition.

4.0 TYPES OF REPO TRANSACTIONS

4.1 The following types of repo transactions shall be allowed:

4.1.1 Repurchase Transaction

4.1.2 Sell/Buy-Back

4.1.3 Term Repo

4.1.4 Open Repo

4.1.5 Forward Repo

4.1.6 Agency Repo

a) The customer as the principal to the transaction and shares the risk of the transaction with the Agent's counterparty, but not the Agent. However, the identity of the principal(s) may not be disclosed to the front office of the counterparty. Although the Agent will sign a single GMRA with each counterparty, there will in effect be separate and identical contracts between an agent and each of its customers.

b) To trade an Agency Repo, the Agent shall sign the Agency Annex on behalf of the customer or customers with their authority. The counterparty to an Agent cannot be another Agent. Only licensed financial intermediaries and appropriate capital markets operators licensed by the relevant licensing authority may act as Agents.

c) Parties who transact repos with another party sometimes on their own account and at other times as an agent for third parties should ensure that they make it clear to the counterparty, at the point of trade, whenever they are acting as an agent. This is vital to be clear with whom rights and obligations are being established and who is taking risk on whom.

d) An agent must reveal the identity or identities of the third-party principal or principals for whom they are acting in order that the counterparty with whom the agent is dealing can fulfil its "know-your-customer" (KYC) obligations and measure their credit risk. It is, however, not necessary for the agent to disclose the identity or identities to the dealers of the counterparty if there is a commercial risk in doing so. In this case, the counterparty's dealers can be given codenames only for the third parties and the key to the codenames can be given confidentially to the compliance, legal or some other risk management or control function of the counterparty.

5.0 GLOBAL MASTER REPURCHASE AGREEMENT

5.1 The GMRA contains standard provisions suitable for the most common types of repo transactions and may be supplemented by market standard product or jurisdiction-specific annexes[2]. Any other modifications agreed by the parties should be recorded in Annex I to the agreement, in trade confirmations where modifications are specific to a particular transaction or in a format which makes it clear that the parties agree to a variation of the standard form, e.g., side letter. Amendments made to the published form may have an impact on the ability of parties to rely on industry legal opinions on the enforceability of the GMRA.

5.2 The parties to a repo transaction must sign the GMRA.

5.3 The agreement shall be subject to Ugandan law for transactions between domestic entities and to the laws of England and Wales for transactions involving foreign entities and, at the minimum, the agreement should provide for:

a) The absolute transfer of title to the eligible securities including any eligible securities transferred through substitution or margin maintenance.
b) Marking-to-market of transactions.
c) Use of haircuts to protect against falls in the value of securities.
d) Use of margin maintenance whenever the mark-to-market reveals material change in

[2] For example, the GMRA may be adapted to Sell/Buy-Backs, by amending the master agreement through the signing of the Buy/Sell-Back Annex.

value.

e) Events of default and consequential rights and obligations of the parties to the transactions.

f) Full close-out netting of claims between the parties to the transaction in an event of default; and

g) The rights of the parties regarding substitution of eligible securities and the treatment of coupon payments on respect of the eligible securities subject to it, including for example the timing of payments.

6.0 ELIGIBLE PARTIES

6.1 The repo market typically brings two types of end-users. The first are those that provide eligible securities in return for cash (e.g., financial institutions, pension funds, insurance companies, asset managers, and hedge funds). The second are those that provide cash and receive securities in return (e.g., treasurers of financial institutions and non-bank financial institutions or money market funds).

6.2 The following parties are eligible to engage in repo transactions with foreign or domestic counterparties of their choice:

a) BOU.
b) Financial Institutions as defined in the Financial Institutions Act, 2004.

7.0 MINIMUM TRANSACTION SIZE

There is no minimum transaction value requirement for repo transactions.

8.0 ELIGIBLE SECURITIES

The following fixed income securities shall be eligible for use in repo transactions:

a) Treasury Bills issued by the Government of Uganda.
b) Treasury Bonds issued by the Government of Uganda; and
c) Bank of Uganda Bills.

The maturity of a security must be later than the maturity of the repo in which it is being traded.

9.0 BASIS AND BUSINESS DAY

9.1 Unless otherwise agreed by the parties, all calculations for interest and accrued interest on the Purchase Price, Cash Margin and late payments shall be made on an Actual/365 basis.

9.2 All accrued interest on securities shall be calculated using the basis that applies to the securities market.

9.3 A business day shall mean a day, other than Saturday or Sunday, on which both the CSD and banks in Uganda are open for business.

10.0 REPURCHASE PRICE

Unless otherwise agreed among the parties, the repurchase price shall be determined as a function of the purchase price paid by the Buyer, the Repo Rate, and the term of the Repo.

11.0 MARGINING A REPO

11.1 HAIRCUT

11.1.1 Haircuts are used to adjust the value of securities sold in a repurchase transaction to try to anticipate the loss of value in the securities that may be experienced if it is liquidated following an event of default by a counterparty. The size of haircut is typically determined by an assessment of the liquidity of a security (often as proxied by its price volatility) and other relevant factors such as the creditworthiness of the issuer, the time it is likely to take to sell off a security and the tenor of the repo.

11.1.2 Haircuts should be agreed at the point of trade and recorded in writing e.g., in the confirmation of a transaction. Once both parties have agreed the initial margin or haircut for a particular transaction, the value should remain fixed throughout the term of that transaction.

11.1.3 A haircut is expressed relative to the securities and is defined as the percentage difference between the initial Market Value of securities and the Purchase Price of the repo i.e. [(Market Value of Securities – Purchase Price)/ Market Value of securities] *100. Haircuts will always be less than 100%. Multiplying a haircut by the current Repurchase Price (which is the Purchase Price plus accrued repo interest) gives the value of the securities required to fully securities size a repo, taking into account probable liquidation losses. If this value is more than the current Repurchase Price, then the repo is over securitized, and a margin may be called by the Seller from the Buyer to eliminate the surplus (subject to the under or over securitization of any other repos with the same counterparty --- see 9.2).

11.2 INITIAL MARGIN

11.2.1 An initial margin is expressed relative to the purchase price and represents the percentage of the ratio of the initial market value of the securities to the purchase price i.e. (Market Value of securities / Purchase Price) *100. An initial margin is similar to a LTV. In the GMRA, an initial margin is referred to as Margin Ratio. An initial margin of 100% means no margin. Multiplying an initial margin by the current Market Value of the securities gives the value of the cash that can be regarded as fully securitized, taking into account probable liquidation losses. If this value is less than the current Repurchase Price (which is the Purchase Price plus accrued repo interest), then the repo is under securitized, and a margin may be called by the Buyer from the Seller to eliminate the deficit (subject to the under or over securitization of any other repos with the same counterparty --- see 9.2).

11.2.2 Note that an initial margin of, for example, 104% is not equivalent to a haircut of 4%. The following tables compare haircuts, initial margins (Margin Ratios) and LTVs.

11.2.3 It is recommended that participants use the haircut method when calculating transaction exposure. Participants should refer to section 2(xx) of the GMRA for further clarification.

Margin Ratio, haircut and LTV for given cash and securities values Required securities, Margin Ratio and LTV for a given haircut

Variable	Formula	Amount
Trade notional (TN)	Constant	100.0
Securities notional (CN)	Constant	117.5
Margin Ratio (MR)	CN/TN	1.175
Loan to Value (LTV)	TN/CN	85.1%
Haircut (H)	1 - LTV	14.9%

Variable	Formula	Amount
Trade notional (TN)	Constant	100.0
Haircut (H)	Constant	30%
Securities notional (CN)	TN/LTV	142.9
Loan to Value (LTV)	1 - H	70%
Margin Ratio (MR)	CN/TN	1.429

Margin Ratio, required securities and LTV for a given haircut

Variable	Formula	Amount
Trade notional (TN)	Constant	100.0
Margin Ratio (MR)	Constant	1.333
Securities notional (CN)	TN*MR	133.3
Loan to Value (LTV)	TN/CN	75%
Haircut (H)	1 - LTV	25%

11.3 CALCULATING NET EXPOSURE

11.3.1 Net Exposure between two parties is the aggregate exposure between parties on all their outstanding transactions. It is determined by summing up the outstanding exposures on each transaction (called the Transaction Exposure) with the other party and adding any manufactured payments that are due but unpaid. Transaction exposure is determined by marking each transaction to market taking into account the Initial Margin or Haircut. The net exposure is then reduced or increased by the amount of Net Margin still held by one of the parties.

11.3.2 Net Margin is the difference between the total of all margins received and held by the Seller and the total of all margins received and held by the Buyer. Margin can accumulate at both parties simultaneously because margin is only returned when a party holding margin receives a margin call from the other party and either the other party expressly demands that the margin call should be satisfied to the extent possible with margin previously given to the first party or, failing such a demand, the first party decides to meet the margin call by returning some of the margin it is holding. If party A holds the Net Margin and it otherwise has a net exposure to party B, the Net Margin will reduce the net exposure of party A. But if party A holds the Net Margin but party B otherwise has a net exposure to party A, the Net Margin will increase the net exposure of party B. Participants should refer to section 4 of the GMRA for further clarification.

11.4 TRANSACTIONS INCLUDED IN CALCULATING NET EXPOSURE

Net exposure shall include all transactions between the counterparties for which the

a) Purchase Date is today or earlier, and
b) Repurchase Date is today or later.

Forward starting repos shall be excluded from the net exposure calculation until they reach their forward Purchase Dates such that they operationally cease to be forward starting transactions.

11.5 MINIMUM MARGIN TRANSFER AMOUNTS (MTAS) (EXPOSURE THRESHOLDS)

11.5.1 While it is recommended that Net Exposure be calculated every Business Day, it shall be calculated no less than once a week. Margin shall be called whenever Net Exposure exceeds an agreed minimum transfer amount/threshold.

11.5.2 Once the agreed minimum transfer amount/threshold is exceeded, margin is called to eliminate the entire Net Exposure and for this reason the threshold is typically referred to as an MTA in the repo market. Counterparties should set thresholds/MTAs within the allocated credit limit for repos as any amount below such a threshold represents unsecured credit exposure. Repo market participants can also agree to eliminate the entire Net Exposure regularly (e.g. at the end of each calendar quarterly) regardless of the exposure threshold/MTA. Any agreed MTA/threshold should also be ignored in a default.

11.6 INTEREST ON CASH MARGIN TRANSFERS

11.6.1 Counterparties may agree to use cash as margin. Interest shall accrue on such cash margin using the weighted average of interbank rate published by BOU plus or minus an agreed spread if any.

11.6.2 Market participants shall settle the interest payments between the counterparties monthly or, if earlier, when all outstanding transactions with a counterparty have matured or been terminated.

11.7 DEADLINE FOR MARGIN CALLS

11.7.1 Margin Calls should be made early to provide the other party with reasonable time to check the margin calculation and to resolve any disagreements before the CSD system closes.

11.7.2 Margin Calls shall be made before 12:00pm. Margin calls made after this deadline shall be deemed as having been made on the next business day.

12 HOW TO TREAT COUPONS

12.1 The Buyer is legally entitled to all coupons and other income payments from the securities which are subject to a repo transaction. However, the Seller retains the risk on the securities due to the commitment of buying back the securities at a fixed price. Under the GMRA, in the case of repos, the Buyer agrees to immediately pay compensatory amounts, generally known as manufactured payments, to the Seller equivalent to any income payment received on the securities.

12.2 Note however that the treatment of coupons differs between a repurchase transaction and a sell/buy-back. In the latter, coupon payments and reinvestment income for the gap between income payment date and repurchase date, are factored into the Repurchase Price.

13 PRICE SOURCE AND VALUATION

13.1 In order to minimize margin call disputes, the price source is the yield curve published by Bank of Uganda on every business day.

13.2 The pricing source shall be the yield curve published on the BOU website. It is market practice for the margin-caller to propose a price, however, based on the BOU yield curve.

13.3 The price used for valuation shall be the mid-price as at the close of the previous Business Day of the Appropriate Market of the securities. The use of mid-price assumes that the Buyer and

Seller are equally likely to default and avoids generating margin calls due to the use of bid or ask prices. The appropriate market is the financial center which is the principal location for the trading of that security.

13.4 The Market Value of the securities should be calculated using dirty prices. It is market practice for the accrued interest to be calculated from the last coupon date up to but excluding the margin delivery date.

13.5 In the event of a dispute about the price used by the margin caller, both parties should try to agree on an alternative price source, negotiate promptly, reasonably and in good faith.

14 ACCOUNTING FOR REPO

14.1 The accounting principles to be followed while accounting for repos/ reverse repos are as under:

I. Coupon /Discount
   a. The repo seller shall be deemed to continue to accrue the coupon/ discount on the securities sold under repo even during the repo period while the repo buyer shall not accrue the same.
   b. In case the interest payment date of the security offered under repo falls within the repo period, compensation for the coupons received by the buyer of the security should be passed on to the seller of the security as a manufactured payment on the date of receipt, as the cash consideration payable by the seller in the second leg does not include any intervening cash flows.

II. Accounting by the transferor (seller)
   If a sale of a financial asset is subject to a repurchase transaction at a fixed price, or at the initial Purchase Price plus repo interest, the seller retains substantially all the risks and rewards of ownership of the asset. Consequently, a repo is accounted for as a financing transaction rather than a sale. The seller, therefore, does not derecognize the financial asset under a repo contract even if:

   a. The financial asset subject to the agreement is of a type readily obtainable in the market, such that the transferee could sell the transferred financial asset and repurchase an identical financial asset in the market to meet its return obligation to the seller; or
   b. The agreement permits the transferee to return financial assets that are the same or substantially the same as the originally transferred asset or financial assets that are similar and of equal fair value.

The consideration received by the Seller is recognized as a liability to repurchase the asset. As The liability is generally carried at amortized cost. As the securities is not derecognized by the Seller, it continues to be valued as it was before the repo. Moreover, for the same reason, it is possible to repo out securities classified as Held-To-Maturity or Held-To-Collect.

III. Accounting by the transferee (buyer)
The transferee does not recognize the financial asset received under a repurchase or securities lending arrangement. Instead, it recognizes a receivable from the transferor. This receivable may be recognized at amortized cost if it meets the IFRS 9 criteria for amortized cost classification, which is the valuation method applicable under IFRS to financing. If the transferee subsequently sells the financial asset, then it recognizes a financial liability to return the financial asset based on its fair value, which is the valuation method applicable under IFRS to trading.

IV. Accounting on default
If there is an event of default by the seller and it is no longer entitled to the delivery on the Repurchase Date of Equivalent Securities, then the Buyer (or transferee in the case of margin securities) recognizes the financial asset at fair value or, if it has sold the financial asset already, derecognizes the financial liability to return the financial asset.

V. Accounting for interest accruing on the financial asset
The buyer will be entitled to receive the interest on the asset (eg the coupon) because the title has been transferred to them as security. In such situations, the buyer should not recognize this interest as income, but rather transfer the same to the seller who bears the risk on such instrument.

15 SETTLEMENT

15.1 Settlement of repos will be effected on either delivery versus payment (DvP) or free of payment (FoP) basis. This shall be done in accordance with the operational procedures of the CSD.

15.2 Under the FoP Rules, a transferor of securities is required to complete a FoP Transfer Form indicating the details of the transferor, the securities to be transferred as well as details of the transferee and the transferee's account. A transferee or his depository agent is therefore required to open and maintain an account with the CSD for purposes of holding the transferred securities. The CSD will effect the transfer of the securities from the account of the Transferor to the account of the transferee after submission of the completed FoP Transfer Form.

15.3 Where a FoP Transfer Form is received by the CSD before noon, the transfer will be effected on the same day and on the next Business Day if the FoP Transfer is received after 12 noon.

15.4 A foreign counterparty must appoint a custodian for the purpose of holding the securities in the CSD.

16 FAILURE TO DELIVER SECURITIES

16.1 Fails might occur on two occasions: at the start of a repo if a seller fails to deliver securities or at the end of a repo if the buyer fails to return the securities.

16.2 Even though fails are not desirable, they may occur due to temporary operational problems at parties, infrastructure frictions or market illiquidity. Unless specifically agreed, these should not necessarily be seen as an event of default as it may not reflect credit risks of a counterparty. The decision to place a party into default has serious implications and should be taken by the appropriate governance structure of the non-defaulting party.

16.3 It should be noted that the failed party can terminate a failed repo at any time. If the buyer terminates a failed purchase, it will be paid repo interest up to the termination date. If the seller terminates a failed repurchase, they can opt to follow the mini close-out procedure in the GMRA, but care should be taken before doing so as it can be very expensive for the failing party and use of this mechanism may deter parties from using the market.

16.4 The BOU shall monitor fails, and where necessary engage the parties for possible solutions.

17 EVENTS OF DEFAULT[3]

17.1 A default means a party has triggered at least one of the 'Events of Default' under the GMRA. The occurrence of the following Acts of Insolvency can be agreed to be treated as an automatic Event of Default:

a) the filing of a petition for the winding up of the party; and
b) the appointment of a liquidator or similar authority and the appointment of a receiver, automatically puts the insolvent party into default if Automatic Early Termination has been selected in Annex I.

17.2 For all other Events of Default, the party not in default may serve a notice to the defaulting party of an Early Termination date. The Early Termination date is fixed by the non-defaulting party and shall not be earlier than the date on which the notice becomes effective or later than 20 days after it becomes active. The notice must be served in writing, in English and in a legible format.

17.3 As soon as an automatic Event of Default occurs or, in the case of other Events of Default, on or about the Early Termination date notified by the non-defaulting party, all repos outstanding

[3] Section 17 text is a summary for non-legal staff and the definitive provisions are in the GMRA.

and documented under the signed agreement, the close-out netting process starts and is summarized as follows:

a) All outstanding obligations due on repos under GMRA are terminated and become immediately due for settlement and all margins held by the parties are called back.
b) Default Market Values of securities held by both parties are determined by the non-defaulting party, and any related transaction costs added. The non-defaulting party may use the following in determining the market value of the securities.
    (i) Actual prices realized in the sale of securities.
    (ii) An average of market quotes from the Appropriate Market.
    (iii) If sales are not possible and quotes are not available, its own estimate of the fair value in the case where quotes are not available and dealings not possible.
c) All sums are converted to the Base Currency and netted off into one single residual amount.
d) The defaulting party is notified of the residual amount; and
e) Whoever owes the residual amount shall pay it on the next business day. Interest will be due on late payment at a non-penal rate fixed by the non-defaulting party.

18 REPORTING REQUIREMENTS

18.1 A counterparty (or the agent of the counterparty in agency transactions) which participates in a repo transaction shall notify the Bank of UGANDA in the prescribed form the same day and shall submit weekly returns on daily positions to the Bank of UGANDA. Weekly reports will cover Monday to Friday and should reach Bank of UGANDA on the following Monday.

18.2 Both parties to a repo transaction are required to forward a duly executed copy of the GMRA together with all applicable and duly executed annexes to the GMRA to the BOU within 24 hours of their execution.

All reports should be sent to: **finmarkets@bou.or.ug**

The Director
Financial Markets Department
Bank of Uganda
Plot 37/45 Kampala Road

Reports shall include the following.

(i) Name and address of both counterparties (buyer and seller)
(ii) Value date
(iii) Tenor
(iv) Repurchase date.
(v) Purchase price
(vi) Description of securities
(vii) Notional value of securities
(viii) Haircut
(ix) Initial Margin/ Margin Ratio
(x) Repo Rate
(xi) Interest payment frequency
(xii) Repo Interest Amount
(xiii) Repurchase Price

APPENDIX

Appendix 1: Accounting for repos

Assume Bank B lends to Bank A under repo arrangement as follows:
Carrying interest of treasury bonds at UGX 10 billion
Interest at 10% per annum on repo transaction
The respective balance sheet of Bank A and Bank B before repo transaction are as below:

Bank A		**Bank B**	
Assets:	UGX' billions	Assets:	UGX' billions
Treasury bond	100	Treasury bond	10
Cash	10	Cash	100
	110		110
Liabilities:		Liabilities:	
Capital	50	Capital	50
Borrowings	60	Borrowings	60
Total equity & liabiliti	110	Total equity & liabilities	110

Where the repo transaction is entered into for a value of UGX 10 billion treasury bonds the following will be the new balance sheet structure

Bank A		**Bank B**	
Assets:	UGX' billions	Assets:	UGX' billions
Treasury bond	100	Treasury bond	10
Cash	20	Loan to Bank A	10
	120	Cash	90
			110
Liabilities:		Liabilities:	
Capital	50	Capital	50
Loan from Bank B	10	Borrowings	60
Borrowings	60	Total equity & liabilities	110
Total equity & liabiliti	120		

Under the repo transaction, the risk and reward has not passed hence the treasury bond underrepo remains on the balance sheet of Bank A. The consideration received is reflected as a financial liability of UGX 10 billion (loan from Bank B).

It is assumed that interest accruing on the treasury bond under repo is passed on to Bank A immediately it is received (Classic Repo structure) or on maturityof the repo transaction (Buy-Sell Back structure). Therefore Bank A will continue accounting for interest on treasury bond normally.

However, the interest accruing on repo transaction will be recognized as income in Bank B (interest received on the loan to Bank A) and an expense in Bank A (interest expense on loan from Bank B). The following will be the new balance sheet structure after the repo transaction.