

MEMO# 10865

April 5, 1999

BMA REPO TRADING PRACTICE GUIDELINE RELATING TO Y2K CONTINGENCY PLANNING

[10865] April 5, 1999 TO: MONEY MARKET FUNDS ADVISORY COMMITTEE No. 3-99 SEC RULES COMMITTEE No. 24-99 RE: BMA REPO TRADING PRACTICE GUIDELINE RELATING TO Y2K CONTINGENCY PLANNING

The Bond Market Association's ("The BMA") Funding Division's Trading Practices Committee has issued a Repo Trading Practice Guideline relating to Year 2000 contingency planning. The Guideline, which is a recommendation only, is intended to reduce transaction volume, particularly movements of securities, in the funding markets around the millennium weekend. A copy of the Guideline is attached. The ICI had commented on a draft of the Guideline to express concern that some of the measures recommended by The BMA could have the effect of reducing liquidity at a time when repo buyers, including investment companies, may want to maintain higher than normal levels of liquidity. The BMA's cover letter states that in response to comments received a new section on overnight repos has been added (indicating that overnight financing would be available in the funding markets on December 31, 1999 and January 3, 2000 despite recommendations that dealers attempt to avoid those dates where feasible and appropriate as repurchase dates for term trades) and some minor changes were made in the introduction portion. The Institute will continue to work with The BMA in its ongoing consideration of potential Y2K-related issues. If you have any comments about the Guideline or any other related issues, please contact the undersigned at 202/326-5824 or by e-mail at amy@ici.org. Amy B.R. Lancellotta Senior Counsel Attachment