

## MASTER REPURCHASE AGREEMENT

THIS AGREEMENT is made the.....day of.....2001 BETWEEN

- a) RESERVE BANK OF MALAWI and
- b) .....

pursuant to Section 49 of the Reserve Bank of Malawi Act, 1989 Cap 44:02 and Section 28 of the Banking Act, 1989, Cap 44.01, both institutions organized and existing under the laws of the Republic of Malawi

### WHEREAS

1. From time to time the parties hereto may enter into a transaction in which one party ("Seller") agrees to transfer to the other ("Buyer") securities or other assets ("Securities") against the transfer of funds by Buyer, with a simultaneous agreement by Buyer to transfer to Seller such Securities at a date certain or on demand, against the transfer of funds by Seller. Each such transaction shall be referred to herein as a Transaction and unless otherwise agreed in writing shall be governed by this Agreement.

2. The following terms shall be defined as specified below, unless the context in which such term is used requires otherwise:-

(a) "Act of Insolvency", with respect to any party, (i) the commencement by such party as debtor of any case or proceeding under any bankruptcy, insolvency, reorganization, liquidation, moratorium, dissolution, delinquency or similar law, or such party seeking the appointment or election of a receiver, conservator, trustee, custodian or similar official for such party or any substantial part of its property, or the convening of any meeting of creditors for purposes of commencing any such case or proceeding or seeking such an appointment or election, (ii) the commencement of any such case or proceeding against such party, or another seeking such an appointment or election, or the filing against a party of an application for a court order which (A) is consented to or not timely contested to by such party, (B) results in the entry of an order for relief, such an appointment or election, the issuance of such a court order or entry of an order having a similar effect, or (C) is not dismissed within 7 days, (iii) the making by such party of a general assignment for the benefit of creditors, or (iv) the admission in writing by such party of such party's inability to pay such debts as they become due;

(b) "Additional Purchased Securities", Securities provided by Seller to Buyer pursuant to Paragraph 7(a) hereof;

(c) "Buyer's Margin Amount", with respect to any Transaction as of any date, the amount obtained by application of the Buyer's Margin Percentage to the Repurchase Price for such Transaction as of such date;

(d) "Buyer's Margin Percentage", with respect to any Transaction as of any date, a percentage (which may be equal to the Seller's Margin Percentage) as applied to commercial bank or financial institutions by the Reserve Bank of Malawi under Section 46 (1) (e) of Reserve Bank of Malawi Act, 1989, or, in the absence of any such stipulation, the percentage obtained by dividing the Market Value of the Purchased securities on the Purchase Date by the Purchase Price on the Purchase Date for such Transaction;

(e) "Confirmation", the meaning specified in Paragraph 4(b) hereof;

(f) "Income", with respect to any Security at any time, any principal thereof and all interest, dividends or other distributions thereon;

(g) "Margin Deficit", the meaning specified in Paragraph 7(a) hereof;

(h) "Margin Excess", the meaning specified in Paragraph 7(b) hereof;

(i) "Margin Notice Deadline", the time agreed to by the parties in the relevant Confirmation or otherwise as deadline for giving notice requiring same-day satisfaction of margin maintenance obligations as provided in Paragraph 7 hereof (or, in the absence of any such agreement, the deadline for such purposes established in accordance with market practice);

(j) "Market Value", with respect to any Securities as of any date, the price for such Securities on such date obtained from a generally recognized source agreed to by the parties or the most recent closing bid quotation from such a source, plus accrued Income to the extent not included therein (other than any Income credited or transferred to, or applied to the obligations of the Seller pursuant to Paragraph 8 hereof) as of such date (unless contrary to market practice for such Securities);

(k) "Price Differential", with respect to any Transaction as of any date, the aggregate amount obtained by daily application of the Pricing Rate for such Transaction to the Purchase Price for such Transaction on a 365-day-per-year basis for such Transaction and ending on (but excluding) the date of determination (reduced by any amount of such Price differential previously paid by Seller to Buyer with respect to such Transaction);

(l) "Pricing Rate", the per annum percentage rate for determination of the Price Differential;

(m) "Prime Rate", the prime rate of Malawi's commercial banks as published by the commercial banks themselves or the average of commercial banks' prime rates as published by the Reserve Bank of Malawi or any other reputable institution/publisher that may be approved by the Reserve Bank of Malawi from time to time;

(n) "Purchase Date", the date on which Purchased Securities are to be transferred by Seller to Buyer;

(o) "Purchase Price", (i) on the Purchase Date, the price at which Purchased securities are transferred by Seller to Buyer, and (ii) thereafter, except where Buyer and Seller agree otherwise, such price increased by the amount of any cash transferred by Buyer to seller pursuant to Paragraph 7(b) hereof and decreased by the amount of any cash transferred by Seller to Buyer pursuant to Paragraph 7(a) hereof or applied to reduce Seller's obligations under clause (ii) of Paragraph 8 hereof;

(p) "Purchased Securities", the Securities transferred by Seller to Buyer in a transaction hereunder, and any Securities substituted therefor in accordance with Paragraph 12 hereof. The term "Purchased Securities" with respect to any Transaction at any time also shall include additional Purchased securities delivered pursuant to Paragraph 7(a) hereof and shall exclude securities returned pursuant to Paragraph 7(b) hereof;

(q) "Repurchase Agreement", a transaction in which one party ("Seller") agrees to transfer to the other ("Buyer") securities or other assets ("Securities") against the transfer of funds by Buyer, with a simultaneous agreement by Buyer to transfer to Seller such Securities at a date certain or on demand, against the transfer of funds by Seller

(r) "Repurchase Date", the date on which Seller is to repurchase the Purchased Securities from Buyer, including any date determined by application of the provisions of Paragraph 4(c) or 14 hereof;

(s) "Repurchase Price", the price at which Purchased Securities are to be transferred from Buyer to seller upon termination of a Transaction, which will be determined in each case (including Transactions terminable upon demand) as the sum of the Purchase Price and the Price Differential as of the date of such determination;

(t) "Seller's Margin Amount", with respect to any Transaction as of any date, the amount obtained by application of the Seller's Margin Percentage to the Repurchase Price for such Transaction as of such date;

(u) "Seller's Margin Percentage", with respect to any Transaction as of any date, a percentage (which may be equal to the Buyer's Margin Percentage) as applied to commercial bank or financial institutions by the Reserve Bank of Malawi under Section 46 (1) (e) of Reserve Bank of Malawi Act, 1989, or, in the absence of any such agreement, the percentage obtained by dividing the Market Value of the Purchased Securities on the Purchase Date, by the Purchase Price on the Purchase Date for such Transaction.

### **3. PRICING OF A REPURCHASE TRANSACTION**

Depending on the agreed margin the pricing of a repurchase shall be done in a manner as described in Appendix I

### **4. INITIATION; CONFIRMATION; TERMINATION**

a) An agreement to enter into a Transaction may be made orally or in writing at the initiation of either Buyer or Seller. On the Purchase Date for the Transaction, the Purchased Securities shall be transferred to Buyer or its agent against the transfer of the Purchase Price to an account of Seller.

b) Upon agreeing to enter into a Transaction hereunder, Buyer or Seller (or both) as shall be agreed, shall promptly deliver to the other party a written confirmation of each Transaction (a "Confirmation"). An example of a "Confirmation Slip" is provided in Appendix II. The Confirmation shall describe the Purchased Securities (number, if any), identify Buyer and Seller and set forth (i) the Purchase Date, (ii) the Purchase Price, (iii) the Repurchase Date, unless the Transaction is to be terminable on demand, (iv) the Pricing Rate or Repurchase Price applicable to the Transaction, and (v) any additional terms or conditions of the Transaction not inconsistent with this agreement. The Confirmation, together with this Agreement, shall constitute conclusive evidence of the terms agreed between Buyer and Seller with respect to the Transaction to which the Confirmation relates, unless with respect to the Confirmation specific objection is made promptly after receipt thereof. In the event of any conflict between the terms of such Confirmation and this Agreement, this Agreement shall prevail. (An example of a confirmation slip is attached for easy of reference).

c) In the case of Transactions terminable upon demand, such demand shall be made by Buyer or Seller, no later than such time as is customary in accordance with market practice, telephone or otherwise on or prior to the business day on which such termination will be effective. On the date specified in such demand, or on the date fixed for termination in the case of Transactions having a fixed term, termination of the Transaction will be effected by transfer to Seller or its agent of the Purchased Securities and any income in respect thereof received by Buyer (and not previously credited or transferred to, or applied to the obligations of, seller pursuant to Paragraph 8 hereof) against the transfer of the Repurchase Price to an account of Buyer.

## **5. MINIMUM AMOUNT**

A repurchase transaction value shall not be less than K500,000 (Five hundred thousand Kwacha).

## **6. DURATION AND SETTLEMENT**

- a) A repurchase transaction shall be for one day up any number of days provided that the maximum number of days is within the maturity period of the underlying security.
- b) Eligible securities shall have been issued at least 5 (five) days before the date of application and shall have not less than 3 (three) days to maturity.

## **7. MARGIN MAINTENANCE**

a) If at any time the aggregate Market Value of all Purchased Securities subject to all Transactions in which a particular party hereto is acting as Buyer is less than the aggregate Buyer's Margin Amount for all such Transactions (a "Margin Deficit"), then Buyer may by notice to Seller require Seller in such Transactions, at Seller's option, to transfer to Buyer cash or additional Securities reasonably acceptable to Buyer ("additional Purchased Securities"), so that the cash and aggregate Market Value of the Purchased Securities, including any such Additional Purchased Securities will thereupon equal or exceed such aggregate Buyer's Margin Amount (decreased by the amount of any Margin Deficit as of such date arising from any Transactions in which such Buyer is acting as seller).

b) If at any time the aggregate Market Value of all Purchased Securities subject to all Transactions in which a particular party hereto is acting as Seller exceeds the aggregate Seller's Margin Amount for all such Transactions (a "Margin Excess"), then Seller may by notice to Buyer require Buyer in such Transactions, at Buyer's option, to transfer cash or Purchased Securities to Seller, so that the aggregate Market Value of the Purchased Securities, after deduction of any such cash or any Purchased Securities so transferred, will thereupon not exceed such aggregate seller's margin Amount (increased by the amount of any Margin Excess as of such date arising from any transactions in which such Seller is acting as buyer).

c) If any notice is given by Buyer or Seller under subparagraph (a) or (b) of this Paragraph at or before the Margin Notice Deadline on any business day, the party receiving such notice shall transfer cash or additional Purchased securities as provided in such subparagraph no later than the close of business in the relevant market on such day. If any such notice is given after the Margin Notice Deadline, the party receiving such notice shall transfer such cash or Securities no later than the close of business in the relevant market on the next business day following such notice.

d) Any cash transferred pursuant to this Paragraph shall be attributed to such Transactions as shall be agreed upon by Buyer and Seller.

e) Seller and Buyer may agree, with respect to any or all Transactions hereunder, that the respective rights of Buyer or Seller (or both) under subparagraph (a) or (b) of this Paragraph may be exercised only where a Margin Deficit or a Margin Excess, as the case may be, exceeds a specified kwacha amount or a specified percentage of the Repurchase Prices for such Transactions (which amount or percentage shall be agreed to by Buyer and Seller prior to entering into any such Transactions).

f) Seller and Buyer may agree, with respect to any or all Transactions hereunder, that the respective rights of Buyer or Seller (or both) under subparagraph (a) or (b) of this Paragraph to require the elimination of a Margin Deficit or a Margin Excess, as the case may be, may be exercised whenever such a Margin Deficit or a Margin excess exists with respect to any single

Transaction hereunder (calculated without regard to any other Transactions outstanding under this Agreement).

## **8. INCOME PAYMENTS**

Seller shall be entitled to receive an amount equal to all Income paid or distributed on or in respect of the securities that are not otherwise received by seller, to the full extent it would be so entitled if the Securities had not been sold to Buyer. Buyer shall, as the parties may agree with respect to any Transaction (or, in the absence of any such agreement, as Buyer shall reasonably determine in its discretion), on the date such Income is paid or distributed either (i) transfer to or credit to an account of Seller such Income with respect to any Purchased Securities subject to such Transaction or (ii) with respect to Income paid in cash, apply the Income payment or payments to reduce the amount, if any, to be transferred to Buyer by Seller upon termination of such transaction. Buyer shall not be obligated to take any action pursuant to the preceding sentence (A) to the extent that such action would result in the creation of a Margin deficit, unless prior thereto or simultaneously therewith Seller transfers to buyer cash or Additional Purchased Securities sufficient to eliminate such Margin deficit, or (B) if an event of default with respect to seller has occurred and is then continuing at the time such Income is paid or distributed.

## **9. SECURITY INTEREST**

Although the parties intend that all Transactions hereunder be sales and purchases and not loans, in the event any such Transactions are deemed to be loans, seller shall be deemed to have pledged to Buyer a security for the performance by seller of its obligations under each such Transaction, and shall be deemed to have granted to Buyer a security interest in all of the Purchased securities with respect to all Transactions hereunder and all Income thereon and other proceeds thereof.

## **10. PAYMENT AND TRANSFER**

Unless otherwise mutually agreed, all transfer of funds hereunder shall be in immediately available funds. All securities transferred by one party hereto to the other party (i) shall be in suitable form for transfer or shall be accompanied by duly executed instruments of transfer or assignment in blank and such other documentation as the party receiving possession may reasonably request, (ii) shall be transferred on the book-entry system of a Reserve Bank of Malawi, or (iii) shall be transferred by any other method mutually acceptable to Seller and Buyer.

## **11. SEGREGATION OF PURCHASED SECURITIES**

To the extent required by applicable law, all Purchased Securities in the possession of seller shall be segregated from other securities in its possession and shall be identified as subject to this Agreement. Segregation may be accomplished by appropriate identification on the books and records of the holder including a financial or securities intermediary or a clearing corporation. All of Seller's interest in the Purchased Securities shall pass to Buyer on the Purchased Date and unless otherwise agreed by Buyer and Seller, nothing in this Agreement shall preclude Buyer from engaging in repurchase transactions with the Purchased securities or otherwise selling, transferring, pledging or hypothecating the Purchased securities, but no such transaction shall relieve Buyer of its obligations to transfer Purchased securities to Seller pursuant to Paragraph 4, 7 or 14 hereof, or Buyer's obligations to credit or pay Income to, or apply Income to the obligations of, seller pursuant to Paragraph 8 hereof.

Required disclosure for Transactions in which the Seller Retains Custody

Seller is not permitted to substitute other securities for those subject to this Agreement and therefore must keep Buyer's securities segregated at all times, unless in this Agreement Buyer grants seller the right to substitute other securities. If Buyer grants the right to substitute, this

means that Buyer's securities will likely be commingled with Seller's own securities during the trading day. Buyer is advised that, during any trading day that Buyer's securities are commingled with Seller's securities, they will (may) be subject to liens granted by Seller to its clearing bank (third parties) and may be used by Seller for deliveries on other securities transactions. Whenever the securities are commingled, Seller's ability to re-segregate substitute securities for Buyer will be subject to Seller's ability to satisfy the clearing (any) lien or to obtain substitute securities.

## **12. SUBSTITUTION**

a) Seller may, subject to agreement with and acceptance by Buyer, substitute other securities for any Purchased Securities. Such substitution shall be made by transfer to Buyer of such other Securities and transfer to Seller of such Purchased securities. After substitution, the substituted Securities shall be deemed to be Purchased Securities.

b) In Transactions in which Seller retains custody of Purchased Securities, the parties expressly agree that Buyer shall be deemed, for purposes of subparagraph (a) of this Paragraph, to have agreed to and accepted in this Agreement substitution by Seller of other Securities for Purchased Securities; provided, however, that such other securities shall have a Market Value at least equal to the Market Value of the Purchased Securities for which they are substituted.

## **13. REPRESENTATION**

Each of Buyer and Seller represents and warrants to the other that (i) it is duly authorized to execute and deliver this Agreement to enter into Transactions contemplated hereunder and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and performance, (ii) it will engage in such Transactions as principal (or, if agreed in writing, in form of an annex hereto or otherwise, in advance of any Transactions by the other party hereto, as an agent for a disclosed principal), (iii) the person signing this Agreement on its behalf is duly authorized to do so on its behalf (or on behalf of any such disclosed principal), (iv) it has obtained all authorizations of any governmental body required in connection with this Agreement and the Transactions hereunder and such authorizations are in full force and effect and (v) the execution, delivery and performance of this Agreement and the Transactions hereunder will not violate any law, by-law or rule applicable to it or any agreement by which it is bound or by which any of its assets are affected. On the Purchase Date for any Transaction Buyer and Seller shall each be deemed to repeat all the foregoing representations made by it.

## **14. EVENTS OF DEFAULT**

In the event that (i) Seller fails to transfer or Buyer fails to purchase Purchased Security upon the applicable Purchase Date, (ii) Seller fails to repurchase or Buyer fails to transfer Purchased Securities upon the applicable Repurchase Date, (iii) Seller or Buyer fails to comply with Paragraph 7 hereof, (iv) Buyer fails after one business day's notice to comply with Paragraph 8 hereof, (v) an Act of Insolvency occurs with respect to Seller or Buyer, (vi) any representation made by Seller or Buyer shall have been incorrect or untrue in any material respect when made or repeated or deemed to have been made or repeated, or (vii) Seller or Buyer shall admit to the other its inability to, or its intention not to, perform any of its obligations hereunder (each an "Event of Default"):

a) The non-defaulting party may, at its option (which option shall be deemed to have been exercised immediately upon the occurrence of an Act of Insolvency), declare an Event of Default to have occurred hereunder and, upon the exercise or deemed exercise of such option, the Repurchase Date for each Transaction hereunder shall, if it has not already occurred, be deemed immediately to occur (except that, in the event the Purchase Date for any Transaction has not yet occurred as of the date of such exercise or deemed exercise, such Transaction shall be deemed immediately cancelled). The non-defaulting party shall (except upon the occurrence of an Act of

Insolvency) give notice to the defaulting party of the exercise of such option as promptly as practicable.

b) In all Transactions in which the defaulting party is acting as Seller, if the non-defaulting party exercises or is deemed to have exercised the option referred to in subparagraph (a) of this Paragraph, (i) the defaulting party's obligation in such Transactions to repurchase all Purchased securities, at the Repurchase Price therefor on the Repurchase Date determined in accordance with subparagraph (a) of this Paragraph, shall thereupon become immediately due and payable, (ii) all income paid after such exercise or deemed exercised shall be retained by non-defaulting party and applied to the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder, and (iii) the defaulting party shall immediately deliver to non-defaulting party any Purchased Securities subject to such Transactions then in the defaulting party's possession or control.

c) In all Transactions in which the defaulting party is acting as Buyer, upon tender by the non-defaulting party of payment of the aggregate Repurchase Prices for all such Transactions, all right, title and interest in and entitlement to all Purchased Securities subject to such Transactions shall be deemed transferred to non-defaulting party, and the defaulting party shall deliver all such Purchased Securities to the non-defaulting party.

d) If the non-defaulting party exercises or is deemed to have exercised the option referred to in subparagraph (a) of this Paragraph, the non-defaulting party, without prior notice to the defaulting party, may:

(i) as to Transactions in which the defaulting party is acting as Seller, (A) immediately sell, in a recognized market (or otherwise in a commercially reasonable manner) at such price or prices as the non-defaulting party may reasonably deem satisfactory, any or all Purchased Securities subject to such Transactions and apply the proceeds thereof to the aggregate unpaid Repurchase Prices and any other amounts owing by defaulting party hereunder or (B) in its sole discretion elect, in lieu of selling all or a portion of such Purchased securities, to give the defaulting party credit for such Purchased Securities in the amount equal to the price therefor on such date, obtained from a generally recognized source or the most recent closing bid quotation from such source, against the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder; and

(ii) as to Transactions in which the defaulting party is acting as Buyer, (A) immediately purchase, in a recognized market (or otherwise in a commercially reasonable manner) at such price or prices as the non-defaulting party may reasonably deem satisfactory, securities ("Replacement Securities") of the same class and amount as any Purchased Securities that are not delivered by the defaulting party to the non-defaulting party as required hereunder or (B) in its sole discretion elect, in lieu of purchasing Replacement Securities, to be deemed to have purchased Replacement Securities at the price therefor on such date, obtained from a generally recognized source or the most recent closing offer quotation from such source.

Unless otherwise provided, the parties acknowledge and agree that (1) the Securities subject to any Transaction hereunder are instruments traded in a recognized market, (2) in the absence of a generally recognized source for prices or bid or offer quotations for any security, the non-defaulting party may establish the source therefor in its sole discretion and (3) all prices, bids and offers shall be determined together with accrued Income (except to the extent contrary to market practice with respect to the relevant Securities).

(e) As to Transactions in which the defaulting party is acting as Buyer, the defaulting party shall be liable to the non-defaulting party for any excess of the price paid (or deemed paid) by the non-defaulting party for Replacement Securities over the Repurchase Price for the Purchased Securities replaced thereby and for any amounts payable by the defaulting party under Paragraph 8 hereof or otherwise hereunder.

(f) For purposes of this Paragraph 14, the Repurchase Price for each Transaction hereunder in respect of which the defaulting party is acting as Buyer shall not increase above the amount of such Repurchase Price for such Transaction determined as of the date of the exercise or deemed exercised by the non-defaulting party of the option referred to in subparagraph (a) of this Paragraph.

(g) The defaulting party shall be liable to the non-defaulting party for (i) the amount of all reasonable legal or other expenses incurred by the non-defaulting party in connection with or as a result of an Event of Default, (ii) damages in an amount equal to the cost (including all fees, expenses and commissions) of entering into replacement transactions and entering into or terminating hedge transactions in connection with or as a result of an Event of Default, and (iii) any other loss, damage, cost or expense directly arising or resulting from occurrence of an Event of Default in respect of a Transaction.

(h) To the extent permitted by applicable law, the defaulting party shall be liable to non-defaulting party for interest on any amounts owing by defaulting party hereunder, from the date the defaulting party becomes liable for such amounts hereunder until such amounts are (i) paid in full by the defaulting party or (ii) satisfied in full by the exercise of the non-defaulting party's rights hereunder. Interest on any sum payable by the defaulting party to the non defaulting party under this Paragraph 14(h) shall be at a rate equal to the greater of the Pricing Rate for the relevant Transaction or the highest ruling Prime Rate.

(i) The non-defaulting party shall have, in addition to its rights hereunder, any rights otherwise available to it under any other agreement or applicable law.

## **15. SINGLE AGREEMENT**

Buyer and Seller acknowledge that, and have entered hereinto and will enter into each Transaction hereunder in consideration of and in reliance upon the fact that, all Transactions hereunder constitute a single business and contractual relationship and have been made in consideration of each other. Accordingly, each of Buyer and Seller agrees (i) to perform all of its obligations in respect of each Transaction hereunder, and that a default in the performance of any such obligations shall constitute a default by it in respect of all Transactions hereunder. (ii) that each of them shall be entitled to set off claims and apply property held by them in respect of any Transaction against obligations owing to them in respect of any other Transactions hereunder and (iii) that payments, deliveries and other transfers made by either of them in respect of any Transaction shall be deemed to have been made in consideration of payments, deliveries and other transfers in respect of any other Transactions hereunder, and the obligations to make any such payments, deliveries and other transfers may be applied against each other and netted.

## **16. NOTICES AND OTHER COMMUNICATIONS**

Any and all notices, statements, demands or other communications hereunder may be given by a party to the other by mail, facsimile, telegraph, messenger or otherwise to the address specified by the counter-party, or so sent to such party at any other place specified in a notice of change of address hereafter received by the counter-party. All notices, demands and requests hereunder may be made orally, to be confirmed promptly in writing, or by other communication as specified in the preceding sentence.

## **17. ENTIRE AGREEMENT; SEVERABILITY**

This Agreement shall supersede any existing agreements between the parties containing general terms and conditions for repurchase transactions. Each provision and agreement herein shall be treated as separate and independent from any other provision or agreement herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.

## **18. NON-ASSIGNABILITY; TERMINATION**

(a) The rights and obligations of the parties under this Agreement and under any Transaction shall not be assigned by either party without the prior written consent of the other party, and any such assignment without the prior written consent of the other party shall be null and void. Subject to the foregoing, this Agreement and any Transactions shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns. This Agreement may be terminated by either party upon giving written notice to the other, except that this Agreement shall, notwithstanding such notice, remain applicable to any Transactions then outstanding.

(b) Subparagraph (a) of this Paragraph 18 shall not preclude a party from assigning, charging or otherwise dealing with all or any part of its interest in any sum payable to it under Paragraph 14 hereof.

## **19. GOVERNING LAW**

This Agreement shall be governed by the Laws of Malawi without giving effect to the conflict of law principles thereof.

## **20. NO WAIVERS**

No express or implied waiver of any Event of Default by either party shall constitute a waiver of any other Event of Default and no exercise of any remedy hereunder by any party shall constitute a waiver of its right to exercise any other remedy hereunder. No modification or waiver of any provision of this Agreement and no consent by any party to a departure herefrom shall be effective unless and until such shall be in writing and duly executed by both of the parties hereto. Without limitation on any of the foregoing, the failure to give a notice pursuant to Paragraph 7(a) hereof will not constitute a waiver of any right to do so at a later date.

## **21. INTENT**

(a) The parties recognize that each Transaction is a “repurchase agreement” as the term is defined in this Agreement and as amended from time to time.

(b) It is understood that either party’s right to liquidate Securities delivered to it in connection with Transactions hereunder or to exercise any other remedies pursuant to Paragraph 14 hereof is a contractual right to liquidate such Transaction.

(c) The parties recognize that “securities pledged as collateral under repurchase agreement transactions” shall be as defined in Section 46 (1) (e) of Reserve Bank of Malawi Act, 1989 and as amended from time to time. Other securities may be used as collateral provided that such securities have a common method of valuation, and that such securities are acceptable to both parties and as approved by the Reserve Bank of Malawi.

(d) It is understood that the securities to be used under any Transaction shall be owned by the selling party in the Transaction and that if the securities are not owned by selling party then the owner of the security shall authorize in writing the use of the security by the selling party in the Transaction. The Buyer of the security in the Transaction shall verify the authority with the owner before entering into a Transaction.

IN WITNESS WHEREOF the authorized signatories of the parties hereto have hereunto set their hands the day and year first above written.

Signed Signed .....	Signed Signed
.....	
Name .....	Name
.....	
being the (title) .....	being the (title)
.....	
of RBM .....	of (institution)
.....	
address: .....	address:
.....	

Witness .....	Witness
.....	
Name .....	Name
.....	
being the (title) .....	being the (title)
.....	
of RBM .....	of (institution)
.....	
address: .....	address:
.....	

**RESERVE BANK OF MALAWI- DECEMBER 2001**

**APPENDIX I: Example of a Repurchase Agreement**

The Reserve Bank of Malawi (RBM) wishes to absorb K200.0 million from the market for a period of 10 days. In order to do this , the RBM enters into a repurchase agreement contract with a market participant. The RBM agrees to sell treasury bills on day 1 and simultaneously agrees to buy the same bills on day 10. The cost of doing the repurchase agreement is born by the RBM, since the provider of the cash earns interest on the value of the contract.

**1. Calculation of the Repurchase Price**

Assume repo/interest rate of 30 percent.

The purchase amount/  
Consideration = the amount to be absorbed = K200,000,000.00

Interest cost = The purchase amount\*repo rate\*duration of repo  
$$\frac{365}{365} * 100$$
$$= 200,000,000 * 30 * 10 = K1,643,835.62$$

The Repurchase amount = The purchase amount + interest paid  
$$= 200,000,000 + 1,643,835.62 = K201,643,835.62$$

## 2. Application of Haircut/Margin Requirement

Assume prevailing price of underlying securities as 85.9550 and haircut requirement of 10 percent.

Approx. face value of required securities = Repurchase amount/prevailing price\*100\*1.10 i.e.  
$$K201,643,835.62 / 85.9550 * 100 * 1.10 = K258,051,560.91$$

The face value of securities to be pledged is rounded to K258,052,000.00

The market value of the securities pledged is  $K258,052,000 * 85.9550 / 100$  i.e. K221,808,596.60

Note: The amount of cover can be checked by dividing the market value of pledged securities (K221,808,596.60) by the repurchase price (K201,643,835.62). This should give you the desired haircut or margin requirement (10 percent).