Repurchase Agreements

What is a Repurchase Agreement?

A Repurchase Agreement means a financial agreement in which a dealer of securities transfers ownership of securities to another person or creates a beneficial interest (whether whole or fractional) in securities in favor of another person.

Investors in a repurchase agreement would buy the security from the dealer and sell it back at a later date.

Advantages of investing in a Repurchase Agreement?

• Liquidity – Repos provide the ability to invest cash for a short space of time, making them a critical component in the effort to manage liquidity. The size of the market and supply of repos provide for strong liquidity and there is always an agreed purchaser and seller.

• Safety- Repos are generally regulated. In Trinidad the repos are regulated by the Trinidad & Tobago Securities Exchange Commission

• Yield Advantage – Repos generally provide a bit more yield as compared to traditional money market instruments, such as Treasury bills, term deposits and CDs. The yield advantage depends on such factors as the repo's maturity date and the credit quality of the repo's collateral

• Flexibility – The principal amount of repos can be adjusted up or down as fund cash flows dictate, and transactions and can be conducted late in the day. They can also be easily rolled over and rates can be negotiated.