International
Capital
Market
Association

ICMA

EXCERPT

from ICMA's rules and recommendations

Rule 251 Accrued interest calculation

251.1 Accrued interest on a contract shall be calculated as:

annual coupon rate x number of days accrued/number of days in year.

The number of days accrued shall be calculated from and including the date of the last paid interest coupon or the day from which interest is to accrue for a new issue, up to but excluding the value date of the transaction.

For floating rate notes and non US dollar denominated straight and convertible bonds issued after December 31, 1998, the number of days accrued shall be the number of calendar days in the period, including February 29 in a leap year.

For straight and convertible bonds issued before January 1, 1999 and for US dollar denominated straight and convertible bonds issued after December 31, 1998, the number of days accrued in the period shall be calculated on a 360 day per year basis (each calendar month to be considered one-twelfth of 360 days, or thirty days, and each period from a date in one month to the same date in the following month to be considered thirty days).

The number of days in the year in the above formula shall be:

(i) for floating rate notes, 360 days (or actual number of days in the calendar year in which any coupon payment falls in the case of a Euro-sterling issue);

(ii) for straight and convertible bonds issued prior to January 1, 1999 and for US dollar denominated straight and convertible bonds issued after December 31, 1998, 360 days;

(iii) for non US dollar denominated straight and convertible bonds issued after December 31, 1998, actual calendar days in the coupon period multiplied by the number of coupon periods in the year.

Examples of calculations in conformity with rules 224 and 251:

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Interest accrue from coupon dates	Value dates	Number of days of accrued interest for		
		straight and convertib bonds issued before January 1, 1999 and for US dollar denominated straight and convertible bonds issued after Decembe 31, 1998	floating rate notes and non US dollar denominated straight and convertible bonds issued after December 31, 1998	
			normal	leap year
	the following year:			
30.11.	28.2.	88	90	90
30.11.	29.2.	89		91
30.11.	1.3.	91	91	92
30.11.	3.3.	93	93	94
30.11.	30.3.	120	120	121
30.11.	31.3.	120	121	122
31.12.	28.2.	58	59	59
31.12.	29.2.	59		60
31.12.	1.3.	61	60	61
31.12.	3.3.	63	62	63
31.12.	30.3.	90	89	90
31.12.	31.3.	90	90	91
	the same year:			
1.1.	28.2.	57	58	58
1.1.	29.2.	58		59
1.1.	1.3.	60	59	60
1.1.	3.3.	62	61	62
1.1.	30.3.	89	88	89
1.1.	31.3.	89	89	90
15.1.	28.2.	43	44	44
15.1.	29.2.	44		45
15.1.	1.3.	46	45	46
15.1.	3.3.	48	47	48
1.2.	28.2.	27	27	27
1.2.	29.2.	28		28
1.2.	1.3.	30	28	29
1.2.	3.3.	32	30	31
15.2.	28.2.	13	13	13
15.2.	29.2.	14		14
15.2.	1.3.	16	14	15
15.2.	3.3.	18	16	17
28.2.	29.2.	1		1
28.2.	1.3.	3	1	2
28.2.	3.3.	5	3	4
28.2.	5.3.	7	5	6
28.2.	30.3.	32	30	31
28.2.	31.3.	32	31	32
	the following year:			
28.2.	27.2.	359	364	365
28.2.	28.2.	0*	0*	0*

* seller collects full interest coupon, no accrued interest calculation to the buyer.

251.2 For straight and convertible bonds issued prior to January 1, 1999 and for US dollar denominated straight and convertible bonds issued after December 31, 1998, accrued interest to a value date on the thirty-first calendar day of a month shall be the same as to the thirtieth calendar day of the same month.

251.3 For non US dollar denominated straight and convertible bonds issued after December 31, 1998, the following rules shall apply to the calculation of the number of days in the year for the first coupon period:

(i) The first coupon period is deemed to start on the date which would have been the normal coupon date on or before the date on which interest starts accruing on the bond.

(ii) If the date on which interest starts accruing is before the date which would have been the coupon date prior to the first coupon date, then the period shall be split into two quasi interest periods for the purpose of the calculation.

Examples of calculations in conformity with this rule are:

For bonds with an 8% coupon issued on February 1, 1999 (with interest accruing from this date)

Coupon Payment Date(s)	First Coupon Payment Date	First Coupon Period Days in Year Calculation	Daily Accrua Rate	First Coupon Payment
Feb. 1	Feb. 1, 2000	Feb. 1, 1999-Feb. 1, 2000 (365 days)	8/365	8%
July 1	July 1, 1999	July 1, 1998-July 1, 1999 (365 days)	8/365	8x150/365% (Feb. 1-July 1 = 1 days)
July 1	July 1, 2000 Period 1 Period 2	July 1, 1998-July 1, 2000 (731 days split into 2 periods) July 1, 1998-July 1, 1999 (365 days) July 1, 1999-July 1, 2000 (366 days)	 8/365 8/366	Note 1
Feb. 1, Aug.1	Aug. 1, 1999	Feb.1,1999-Aug.1, 1999 (181 days)	8/(2x181)	4%
Jan. 1, July	July 1, 1999	Jan.1, 1999-July 1, 1999 (181 days)	8/(2x181)	8x150/362% (Feb.1-July 1= 15 days)
Jan.1, July	Jan.1, 2000 Period 1 Period 2	Jan.1, 1999-Jan.1, 2000 (365 days split into 2 periods) Jan.1, 1999-July 1, 1999 (181 days) July 1, 1999-Jan.1, 2000 (184 days)	 8/(2x181) 8/(2x184)	Note 2

Note 1 The first coupon payment is: (8x150/365 + 8x366/366)% as there are 150 days from February 1, 1999 to July 1, 1999

Note 2 The first coupon payment is: (8x150/(2x181) + 8x184/(2x184))% as there are 150 days from February 1, 1999 to July 1, 1999.

251.4 No accrued interest shall be calculated where rule 224 applies or where the value date coincides with the date of issue or where a transaction has been concluded at a "flat" price.

Rule 252 Accrued interest computation – fractions

In all transactions involving the payment of interest, fractions of a cent equalling or exceeding five mills shall be regarded as one cent and fractions of a cent less than five mills shall be disregarded. Examples:

$ 137.625 accrued interest has to be increased to $ 137.63

$ 137.624 accrued interest has to be decreased to $ 137.62