



## SECURITIES FINANCING TRANSACTION (SFT) CLEARING SERVICE

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### Q: WHAT IS THE SECURITIES FINANCING TRANSACTION (SFT) CLEARING SERVICE?

A: The Securities Financing Transaction (SFT) Clearing service is a National Securities Clearing Corporation (NSCC) product offering central clearing and settlement services for overnight borrows and loans of equity securities (collectively “SFTs”). To this end, the SFT Clearing service:

- Supports central clearing of clients’ equity SFTs intermediated by Sponsoring Members or Agent Clearing Members.
- Supports central clearing of equity SFTs between NSCC full-service members.
- Maximizes capital efficiency and mitigates systemic risk by introducing more membership and cleared transaction opportunities for market participants.

### Q: WHAT ARE THE BENEFITS OF THE SFT CLEARING SERVICE?

A: The SFT Clearing service provides NSCC members with the ability to offset on their balance sheets their obligations to NSCC on novated SFTs, including those with third-party NSCC members and those with their institutional clients. Through novation to NSCC, members may also be eligible to take lesser capital charges on their SFTs than would be required to the extent that they engaged in the same activity outside of a central counterparty.

By potentially alleviating balance sheet and capital constraints, participation in the SFT Clearing service may afford NSCC members and their clients increased lending and borrowing capacity.

Additionally, the need for Agency Lending Disclosure (ALD) reporting is no longer applicable for SFTs novated to NSCC.

### Q: WHAT IS THE NSCC SECURITY LENDING MODEL?

A: To capture maximum capital and balance sheet efficiencies, all SFTs are required to be executed as overnight term transactions. However, to minimize the operational burden of settling overnight obligations, settlements are allowed to pair off daily against new activity, with NSCC calculating and processing Price Differential, that is price differences/mark-to-market (MTM), that are created by the daily pair off.

NSCC novates and guarantees the off-leg/return of an SFT (i) when delivery of underlying SFT security completes at DTC, (ii) at the point of validation in the case of a bilaterally settled SFT or an SFT with a Sponsored Member client or (iii) when the daily pair-off occurs, in the case of a rolled SFT.

### Q: CAN I USE MY EXISTING NSCC ACCOUNT FOR SFT ACTIVITY?

A: No, CNS<sup>®</sup> activity cannot be commingled with SFT activity. New NSCC accounts must be opened for SFT activity. For more information, see the Separation of Accounts section in the SFT Clearing General Service Guide.

### Q: DOES NSCC COLLECT MARGIN ON THE SFT BUSINESS?

A: For NSCC full-service members, SFT activity in the member’s proprietary account is margined on a net basis. For example, offsetting SFT positions within the member’s proprietary account in the same CUSIP are netted down for margining purposes. For Sponsoring Members and Agent Clearing Members, SFT activity for their clients are margined on a gross basis. This includes the sum of the stand-alone volatility charges for each client’s novated SFT activity calculated separately. For more information, see the Separation of Accounts section in the SFT Clearing General Service Guide available in the DTCC Learning Center.

## Q: WHO DO I CONTACT TO OBTAIN MORE INFORMATION ABOUT THE SFT CLEARING SERVICE?

A: For SFT Clearing questions, contact John Vinci by email at [jvinci@dtcc.com](mailto:jvinci@dtcc.com) or by telephone at 212-855-5271 or Tom Price by email at [tprice@dtcc.com](mailto:tprice@dtcc.com) or by telephone at 212-855-5453.

You can also use the following NSCC contacts for information about the SFT Clearing service:

- General questions and product support:  
Email NSCC Support at [NSCCSupport@dtcc.com](mailto:NSCCSupport@dtcc.com).
- Setup and testing: Email NSCC Integration at [NSCCIntegration@dtcc.com](mailto:NSCCIntegration@dtcc.com).
- Issues with logging on to the system:  
Contact DTCC Client Support. Call the following number, and then follow the prompt for product support.
  - For US and Canada, call 1 888-382-2721.
  - For the UK, Europe, and Asia, call +1 212-855-8099.

- You can also login to the DTCC Learning Center ([www.dtcclearning.com](http://www.dtcclearning.com)) to access the SFT Clearing Users section, or scan the QR code below to see our extensive FAQ.

