

GOV #:	GOV585-19
Date:	February 14, 2019
To:	Government Securities Division (“GSD”) Members
Category:	Service Update
Subject:	FICC Common Margining Proposal

Subject to regulatory approval, the Fixed Income Clearing Corporation’s (“FICC”) Common Margining Proposal will create one Clearing Fund for all Government Securities Division (“GSD”) Netting Members and Mortgage-Backed Securities Division (“MBSD”) Clearing Members.

In addition, firms that are both GSD Netting Members and MBSD Clearing Members (collectively, “Common Members”) will have an option to net their GSD positions with their MBSD positions into a single margin portfolio. Common Members’ margin amounts, along with the margin amounts for GSD Netting Members and MBSD Clearing Members that are not Common Members (referred to as “GSD-only Members” or “MBSD-only Members”) would be aggregated into one FICC Clearing Fund that would be calculated and collected at least twice daily. The proposed rule change would also amend certain aspects of the margin methodology (e.g., the MBSD mark-to-market calculation, principal and interest on fails, and cash obligation items would be moved from the Required Fund Deposit calculation to the MBSD Cash Settlement process), loss allocation process, and the MBSD Cash Settlement process/GSD Funds-Only Settlement process.

In connection with the Common Margining Proposal, please note the following:

- In order to provide timely updated information, FICC has launched a Common Margining documentation page, available at <http://www.dtcc.com/clearing-services/ficc-common-margining-documentation>. Please refer to this page for information relating to the Common Margining Proposal including MRO (Machine Readable Output) Specifications and Frequently Asked Questions.
- The timeline for the Common Margining Proposal has been extended. Client testing and client parallel testing are scheduled for Q3 2019 and, subject to regulatory approval, production implementation is scheduled for Q4 2019.
- The next client webinar is scheduled for March 12, 2019 and March 14, 2019. The webinar will discuss the impact of the proposed Funds-Only Settlement process. An invitation to the webinars will be distributed during the last week in February.

Please contact your Relationship Manager with any questions.

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