

NEW SERVICE BULLETIN

Fixed Income Clearing Corporation



*The Depository Trust &
Clearing Corporation*

IMPLEMENTATION OF ENHANCED REPO COLLATERAL SUBSTITUTION PROCESS

April 7, 2006

FICC is enhancing its repo collateral substitution process to allow participants to notify the clearing corporation of their intent to substitute a repo trade without simultaneously identifying replacement collateral. This document describes the new procedures required for this process, including an excerpt from the GSD Terminal User Guide, as well as the timing of the implementation of a new notification deadline to support efficient processing of substitution requests. **FICC is pleased to announce that the changes discussed in the bulletin will be available beginning April 21, 2006.**

Modified specifications for proprietary machine-readable output (MRO) for this enhancement were distributed to participants in the New Service Bulletin released in May of 2005.¹

OVERVIEW

Over the past year and a half, FICC has introduced several improvements to the repo collateral substitutions process. These include additional reports for identifying potential pair off opportunities for forward starting generic collateral repos and allowing participants to use the existing substitution process to allocate collateral to forward starting repo trades. In addition to easing substitution processing, these enhancements have helped the industry more effectively deal with increased levels of substitution requests. FICC will continue to work with industry participants and The Bond Market Association to evaluate further areas of opportunity to improve the repo substitution process, specifically to develop a methodology that allows strict enforcement of deadlines for submission of substitution information.

The functionality introduced with this Enhanced Repo Collateral Substitution process is part of a multi-stage plan to improve the GSD repo collateral substitution service, with an emphasis on developing and implementing processes to assist participants in handling increasing substitution volumes. This next enhancement will allow a participant (either an Inter-Dealer Broker or Repo Dealer) to submit a substitution notification to FICC without requiring the simultaneous submission of the replacement collateral details. FICC will immediately begin processing the substitution based solely on the initial substitution request. That is, FICC will identify the associated reverse repo and create instructions to receive collateral from the Reverse Dealer and to deliver the original collateral back to the Repo Dealer. FICC will substitute a generic CUSIP as the replacement collateral and upon allocation, the generic CUSIP will be replaced with the specified replacement collateral. Benefits of this substitution model include:

¹ The May bulletin addressed MRO specifications for both the Enhanced Repo Collateral Substitution and the Fail Netting processes. Information on the implementation of the Fail Netting service was announced in a separate New Service Bulletin released December 2005.

- Repo Dealers will be directly responsible for any overdraft charges incurred during the time in which replacement collateral has not yet been allocated
- Broker processing will be spread out across the business day

PROCEDURES

Consistent with current practice, repo participants in direct or give-up transactions (brokers in blind broker transactions) are required to initiate substitution requests to FICC using the Participant Substitution Notification (PSN) Screen. As shown in the attached procedures, Section 6 of the GSD Terminal User's Guide which can be found in the Important Documents Area of The Government Securities Division section of ficc.com, the information requested on the screen is unchanged.

In order to communicate the intent to substitute a trade to FICC, a participant should complete the entire CURRENT side of the screen. (Note: this task will still be completed by the Repo Broker in brokered repos and by the Repo Dealer in direct or give-up trades.) If the replacement collateral is not known at the time the request is being initiated, the participant should enter a valid generic CUSIP in the replacement collateral field. (This is the only field that needs to be populated on this side of the screen.) Eligible generic CUSIPs are identical to those currently used to submit forward starting generic collateral trades to FICC. For your reference, these CUSIPs are listed in section 6.5 of the attached procedures. If the replacement collateral is known, all applicable fields on the REPLACEMENT side of the screen must be populated. The remainder of this service description refers to the instance when the replacement collateral is not known at the time of the request.

Once the intent to substitute is transmitted to FICC, the system will automatically substitute trades meeting the criteria on the PSN, with the generic CUSIP indicated on the PSN. Additionally, clearance obligations will be created to receive the original collateral from the Reverse Dealer and deliver the collateral to the Repo Dealer. It is important to retain the substitution number assigned by the system, as this number is required in order to complete the assignment of replacement collateral later in the day.

Proprietary MRO will also be created to reflect the substitution, specifically a Message Type 03 stating the trade for the original CUSIP was cancelled, and Message Types 01 and 07 indicate that a new trade with the generic CUSIP was received and compared.

In order to assign replacement collateral to the trade(s) previously substituted to the generic CUSIP on the same business day, a participant must modify the previous substitution request using the update PSN command. Once this command is entered, the system will present the original PSN request. Information regarding the replacement collateral should be entered at this time. When the request is received by FICC, the underlying repo trades will be substituted to the collateral identified in the request.

Proprietary MRO will be created to demonstrate the allocation of replacement collateral, specifically a Message Type 03 stating the trade for the generic CUSIP was cancelled, and Message Types 01 and 07 indicate that a new trade with the replacement CUSIP was received and compared.

If a participant does not allocate replacement collateral by the end of the business day, the trade will remain in the generic CUSIP overnight. In this instance, a new PSN request must be created to send replacement collateral details to the GSD. Please refer to the attached excerpt

from the GSD Terminal User's Guide for additional information on how to complete this request. Also, it is important to note that repo dealers are subject to certain risk management implications for those trades left in generic CUSIPs as a result of a substitution. The impact is further described in the Risk Management section of this bulletin.

NEW LIST FUNCTIONALITY

As part of this implementation, FICC is also introducing an additional list which allows participants to view all of their unallocated substitution requests. This command can be utilized on the System Command Screen by typing a new list, "ALL", as shown in the attached excerpt from the GSD Terminal User's Guide.

RISK MANAGEMENT

There are two components of FICC's risk management calculations that are impacted by a participant's failure to allocate replacement collateral timely: the Clearing Fund margin computation and the forward mark calculation. As FICC does not currently support the margining of a generic CUSIP close leg, both calculations will be enhanced to support instances where a generic CUSIP is not substituted with the specific replacement collateral by end of day (i.e., the trade remains unallocated overnight).

FORWARD MARK

The Forward Mark calculation for repo close legs consists of 3 components: Accrued Repo Interest to Date, Repo Rate Differential (the difference between the contract repo rate and the GSD repo mark rate), and Collateral Mark. When the original collateral has been returned to the Repo Dealer as the result of a substitution request but replacement collateral has not yet been allocated to the trade, the Collateral Mark cannot be computed using current methods as there appears to be little correlation between the Collateral Mark on the original collateral and any Collateral Mark that would have been collected if the replacement collateral had been allocated timely. Therefore, Collateral Mark will not be computed while the trade is assigned a generic CUSIP. The Accrued Repo Interest to Date and the Repo Rate Differential will continue to be calculated, collected from the debit side and passed through to the credit side.

CLEARING FUND

Since FICC must account for the difference between the value of the original collateral and the generic replacement collateral in the Clearing Fund margin computation, the calculations for both the Repo Volatility Component and the Receive/Deliver Component of the Clearing Fund will be incremented by a multiple of 50% for the Repo Dealer only. This adjustment will account for the difference in the principal value of the replacement collateral with a 99% confidence level. This change is also meant as a disincentive for participants to leave collateral unallocated overnight.

Another change, for purposes of the Clearing Fund calculation, is that for trades which remain in generic collateral overnight as the result of a substitution, the generic CUSIP will be assigned to a new offset class. This class will be charged the highest margin factor of all positions in generic CUSIPs, depending on the participant's margin category, (i.e. Category 1 Inter-Dealer Brokers, Category 2 Dealers, etc). For individual components of the computation, collateral offsets will only be allowed between long and short positions in the same generic CUSIP.

In the event that a Repo Dealer does not allocate replacement collateral to the trade before the repo end date, a cash adjustment for the accrued interest will be made between the counterparties to the trade. This adjustment will appear as part of the TAP on a participant's funds settlement statement, as well as on the "Netted Summary" Report (1201), and is a direct result of the repo interest which will continue to be collected until the repo matures. As the original collateral was returned to the Repo Dealer at the time of the substitution request, no securities movements will occur.

FEES

As a result of this new processing, a new "Notification" deadline will be introduced. Notification requests received after 11:00 a.m. will be charged a \$100 late fee. This is a hard deadline which will **not** be extended on days that are designated as "High Volume Substitution Days" as defined by The Bond Market Association. The current substitution "Allocation" deadlines and fees (12:00 and 12:30p.m., \$100 and \$250 respectively) will be maintained and applied to allocations of replacement collateral. These deadlines will continue to be extended on High Volume Days. **Please note that the above changes to timeframes and late fees will not be implemented on April 21. FICC will announce via Important Notice when these new fees will become effective at least 30 calendar days prior to their implementation. Until such implementation, currently existing timeframes and late fees as applied to repo collateral substitutions shall continue to remain in effect.**

The charts below summarize the new charges.

Fees for substitution requests on a normal business day:

	Before 11:00 a.m.	Between 11:01 a.m. and 12:00 noon	Between 12:01 p.m. and 12:30 p.m.	After 12:31 p.m.
Notification received	No fee	\$100 (*)	\$100 (*)	\$100 (*)
Allocation received	No fee	No fee	\$100	\$250 (**)

Fees for substitution requests on a high volume substitution day:

	Before 11:00 a.m.	Between 11:01 a.m. and 1:00 pm	Between 1:01 p.m. and 1:30 p.m.	After 1:31 p.m.
Notification received	No fee	\$100 (*)	\$100 (*)	\$100 (*)
Allocation received	No fee	No fee	\$100	\$250 (**)

* New late fee

** If a substitution allocation is received on subsequent business day, the Repo Dealer will be charged \$250 on the day the allocation was processed.

REPORT CHANGES

Participants should be aware that current reports are not impacted as a result of the Enhanced Repo Collateral Substitution process. However, it is important to note that the "Participant Substitution History" Report (1513, available in Report Center) will display the final state of the substitution request at the end of the day. Therefore, if a request was received to the GSD in the morning substituting a trade to a generic CUSIP and an update was received later in the day to a non-generic CUSIP, this report would only display the original CUSIP and the replacement CUSIP. It will not reflect a substitution to the generic during the day. This differs from the MRO that participants will receive. For your reference, a copy of this report is shown below.

SUBST/ EXTERNAL		CUSIP	PAR	START AMOUNT	RATE	ACCRUED INTEREST	CLOSE AMOUNT
REPRC DT	REFERENCE						
REPO:000101-0710 CONTRA:9599 TRADE:07/10/00 START:07/10/00 CLOSE:08/15/00							
07/11/00	ABC000003	912810FD5	50,000,000	50,000,000.00	1.30000000	1,666.67	50,064,861.11
ORIGINAL		9128272C5			1.20000000		50,060,000.00
REPO:000105-0710 CONTRA:9599 TRADE:07/10/00 START:07/10/00 CLOSE:08/15/00							
07/11/00	ABC000007	912810FD5	50,000,000	50,000,000.00	1.30000000	1,666.67	50,064,861.11
ORIGINAL		9128272C5			1.20000000		50,060,000.00

Additionally a new report will be available on Report Center (entitled Unallocated Substitutions Report) which displays substitution requests which have been substituted to a generic CUSIP but replacement collateral has not been allocated by the end of the business day. This report will provide participants with a snap shot of all of the substitutions which require further action. This report should typically have no activity.

In the event that a Repo Dealer fails to allocate collateral to a trade before the repo end date, the "Netted Summary" Report (1201) will display information on the cash adjustment made for the trades left in a generic CUSIP as the result of a substitution. These items will be listed under the product REPTRD. The cash adjustment for these trades can be found on this report specifically in the Trade Adjustment field, as shown below.

TRADE/START DATE	EXTERNAL TGN REFERENCE	CONTRA PART ID	ORIGIN BROKER	LONG QUANTITY	SHORT QUANTITY	CONTRACT/SETTLEMENT MONEY DEBIT	CONTRACT/SETTLEMENT MONEY CREDIT
CUSIP	371488AA5		SETT PRICE	100.			
	REPTRD 12/12/2027	0.00000000					
	12/12/1997	01/02/1997					
03/01/00*REVR		FI 9599			10,000,000		10,177,777.78
05/29/00*REVR	1111111111111111	9599			50,000,000		20,065,000.00
		TOTAL		0	60,000,000	0.00	30,242,777.78
		NET B/S		0	0	0.00	0.00
		NET REPO		0	60,000,000	0.00	30,242,777.78
		NET NET		0	60,000,000	0.00	30,242,777.78

***** PRODUCT NET SUMMARY TOTALS *****

ITEMS	QUANTITY	AMOUNT
BUYS	0	0.00
SELLS	0	0.00
REPOS	0	0.00
REVR	2	60,000,000
REC ORDERS	0	0.00
DEL ORDERS	0	0.00
TRADE ADJUSTMENT		29,757,222.22 DR
DLV DIFFERENTIAL		0.00
NET		29,757,222.22 DR

MRO CHANGES FOR SUBSTITUTION ENHANCEMENTS

Because the possibility exists that a participant may receive, in reverse order, two sets of messages having the same Transaction ID, Proprietary MRO has been modified to include a unique identifier to indicate which message was generated first. The following chart summarizes these changes for the record types affected:

Record Type/Occurrence	Affected File Number(s)	New Field (F) or Change to Existing Field(C)
01 – Comparison Confirmation 03 – Cancellation Confirmation 07 – Trade Input Accepted Confirmation	GSD Comparison MRO and Print Image output • File 137 (Non-RJE) • File 192 (RJE) • File 136 (RJE)	(F) * A unique identifier assigned by the system has been added to allow participants to easily identify the sequence in which messages were generated.

* **Note:** To accommodate the addition of these new record types, the filler field that immediately follows the new fields will be decreased by 6 spaces.

Please see the modified specifications for proprietary MRO for more detail. These documents are available on www.dtcc.com/ProductsandServices/fixed/index.htm.

INTERACTIVE MESSAGING CHANGES

It should be noted that the interactive messaging specification for GSD netting output that was published on June 30, 2005 includes changes to message flows and data contained on messages to support the Enhanced Repo Collateral Substitution process. (Note: The changes being made to interactive messaging specifications, while similar, will not mirror changes being made to MRO) Participant testing for the interactive netting specification will also be available for testing in Q4 of this year with the exact timeframes announced in a subsequent notice.

For additional information on this service, please contact Fixed Income Client Support at 212-855-7651/7652/7653. To schedule testing, please contact Joe Quagliariello at 212-855-7597.

6. COLLATERAL SUBSTITUTION

6.1. Overview

GSD participants can submit Repo Substitution Requests using the FLM command. If the complete details of the replacement collateral are known when submitting a Substitution Request, you must fill out the Substitution/Reprice Notification screen in its entirety. However, new functionality allows participants to notify the clearing corporation of an Intent to Substitute without allocating replacement collateral details on the initial Substitution/Reprice Notification screen. In this case, a generic CUSIP is temporarily assigned, and the notification must be updated with the actual collateral details when they become available.

6.2. Submitting a Substitution Request

The following procedure, which explains how to submit a Substitution Request, assumes that you are successfully logged-on to the GSD system. For information on connecting to GSD, read Chapter 2, “GSD Terminal Log-on.”

1. Type **FLM** on the command line of the System Command screen, and then press **Tab** to advance the cursor to the **element 1** field.

```
command: FLM  
  
element 1: AD  
element 2: PSN  
element 3: 9999
```

Figure 6-1: Command Field and Element Fields

2. Type **AD** in the **element 1** field to activate the *add* qualifier, and then press **Tab** to advance the cursor to the **element 2** field.
3. Type **PSN** in the **element 2** field to activate the Participant Substitution Notification function, and then press **Tab** to advance the cursor to the **element 3** field.
4. Type your firm’s ID number in the **element 3** field (unless you have entered it as an element value; for more information, read Chapter 11, “Setting Participant ID/Security Values: The **DEF** Command,” and then press **Enter**. You now see the Substitution/Reprice Notification screen, which looks similar to Figure 6-2.
5. The Substitution Notification screen is divided into three categories: General Fields, Current Collateral fields, and Replacement fields. These fields are explained in Table 6-1 and 6-2.
6. Populate the mandatory general fields at the top of the screen, including Repo Participant ID, Revr Participant ID, Start Date, and End Date.

7. Populate the mandatory fields of the Current collateral panel, including Collateral (CUSIP), Par, Principal, and Repo Rate. Brokers must also populate Revr Rate; Dealers leave this field blank. The maximum value for Par is 400,000,000.00.
8. **If the Replacement Collateral details are known**, completely populate the Replacement collateral fields, including Collateral (CUSIP), Par, and Principal. Replacement Repo Rate (Dealers and Brokers) and Revr Rate (Brokers only) are mandatory input fields if the values differ from the Current values. If Replacement Repo Rate and Revr Rate are blank, the system inserts the Current values.

If the Replacement Collateral details are unavailable, enter a valid generic CUSIP for the Replacement collateral (see A, Figure 6-3), but do not populate the remainder of the Replacement collateral fields. Rate and Par changes are not allowed. Eligible generic CUSIPs are identical to those currently used to submit forward starting generic collateral trades to GSD (see Table 6-3).

```

G*S*C*C>>          Substitution/Reprice Notification          Mode:AD
Notification #: 0001
  Submitter: 9999          Giveup?: N
  Repo Part Id: 8888
  Revr Part Id: 7777
  Start Date: 07/05 / 2004
  End Date: 08/15 / 2004
  Repo Ref: MYREF0000001
  Revr Ref: MYREF0000002

  -----CURRENT-----
Collateral | 912795QX2 | Collateral | 912795RH6 |
Par        | 40,000,000.00 | Par        | 41,000,000.00 |
Principal  | 39,000,000.00 | Principal  | 40,000,000.00 |
Repo Rate  | 1.1          | Repo Rate  | 1.2          |
Revr Rate  | 2.2          | Revr Rate  | 2.3          |

Comment : Contact Bud Anderson (555-0123)


Apr : █
  
```

Figure 6-2: Substitution/Reprice Notification Screen

9. When all required fields have been populated, type **Y** in the Action field and press **Enter** to submit the notification. If the submission is accepted, a notification number is displayed at the bottom of the screen.

Figure 6-3: Substitution/ Reprice Notification Screen

- If all Replacement collateral details were provided on the record, the Substitution Request is complete. However, if a generic CUSIP was entered, the Substitution Request must be updated when the full details become available. Refer to the Submitting Replacement Collateral Details procedure (Section 6.3).

 **Make a note of the notification number, as you will need it to access the Substitution record at a later time.**

Field Name	Description
Give-Up?	Type Y if the trade was executed using a give-up broker. Type N or leave this field blank if a give-up broker was not used.
Repo Participant ID	The GSD ID number of the repo dealer.
Reverse Participant ID	The GSD ID number of the reverse dealer.
Start Date	The original contractual start date.
End Date	The date the repo term ends.
Repo Ref and Revr Ref	Use the Repo Ref and Revr Ref fields to enter your internal reference numbers (optional for this screen). You can enter a maximum of 16 characters. If the repo was executed on a blind-brokered basis, the broker should enter the broker reference number for the repo, if known.

Table 6-1: General Fields

Field Name	Description
Collateral	CURRENT COLLATERAL: Enter the CUSIP of the current collateral.
	<p>REPLACEMENT COLLATERAL:</p> <p>If the Replacement Collateral details are known, enter the Replacement CUSIP.</p> <p>If the Replacement Collateral details are unavailable, enter a valid generic CUSIP for the Replacement collateral, but do not populate the remainder of the Replacement collateral fields. Eligible generic CUSIPs are identical to those currently used to submit forward starting generic collateral trades to GSD (see Table 6-3).</p>
Par	CURRENT COLLATERAL: Enter the par amount of the Current collateral. The maximum value for Par is 400,000,000.00.
	REPLACEMENT COLLATERAL: Enter the par amount for the Replacement collateral only if the actual replacement CUSIP was entered. If a generic CUSIP was entered, leave this field blank. The maximum value for Par is 400,000,000.00.
Principal	CURRENT COLLATERAL: The principal amount of the repo being replaced.
	REPLACEMENT COLLATERAL: The new principal amount of the repo.
Repo Rate and Revr Rate	<p>CURRENT COLLATERAL:</p> <p>Dealers must populate Repo Rate; leave the Revr Rate field blank. Brokers must populate Repo Rate and Revr Rate.</p>
	<p>REPLACEMENT COLLATERAL:</p> <p>If the Replacement Collateral details are known, populate the Replacement Repo Rate (Dealers and Brokers) and Revr Rate (Brokers only). Repo Rate (Dealers and Brokers) and Revr Rate (Brokers only) are mandatory input fields if the values differ from the Current values. If Replacement Repo Rate and Revr Rate are blank, the system inserts the Current values.</p> <p>If the Replacement Collateral details are unavailable, leave these fields blank.</p>
Comment	Your comments.

Table 6-2: Collateral Fields

6.3. Submitting Replacement Collateral Details

The procedure for submitting Replacement Collateral details is determined by submission timing. If the Replacement Collateral details are submitted on the same date as the initial Substitution Request, the collateral details must be input via Update Mode. If the submission date of the Replacement Collateral details is after the submission date of the initial Substitution Request, the collateral details must be input via Add Mode.

6.3.1. SUBMITTING REPLACEMENT COLLATERAL DETAILS ON THE SAME DAY AS THE INITIAL SUBSTITUTION REQUEST

Use this procedure only if Replacement Collateral details are known on the same day as the initial Substitution Request.

1. Type **FLM** on the command line of the System Command screen. Press **Tab** to advance the cursor to **element 1**.

```
command: FLM  
  
element 1: UP  
element 2: PSN  
element 3: 9999/21
```

Figure 6-4: System Command Screen

2. Type **UP** in element 1 to activate the *Update* Qualifier. Press **Tab** to advance the cursor to **element 2**.
3. Type **PSN** in **element 2** to activate the Participant Substitution Notification function. Press **Tab** to advance the cursor to **element 3**.
4. If your participant number is not set up as an element value in the system, you must type that number, followed by a slash (/), and then the Notification Number of the collateral substitution to be accessed. For example:

Your firm's ID number ----- **9999/21** -----Notification Number of the original Intent to Substitute

Otherwise, if your participant number is set up as an element value, type only the Notification Number of the collateral substitution to be accessed.

Press **Enter**, and the Substitution/Reprice Notification screen is displayed in Update Mode (see Figure 6-5). The Current collateral details are pre-populated.

5. Populate the Replacement collateral fields (see A, Figure 6-5), including Collateral (a non-generic CUSIP), Par, and Principal. Replacement Repo Rate (Dealers and Brokers) and Revr Rate

(Brokers only) are mandatory input fields if the values differ from the Current values. If Replacement Repo Rate and Revr Rate are blank, the system inserts the Current values.

G*S*C*C>> **Substitution/Reprice Notification** Mode:UP

Notification #: 0021
 Submitter: 9999 Giveup?: N
 Repo Part Id: 8888 Repo Ref:
 Revr Part Id: 7777 Revr Ref:
 Start Date: 07/05/2004
 End Date: 08/15/2004

	CURRENT		REPLACEMENT
Collateral Description	9127950X2	Collateral Description	9128272C5 A
Par	40,000,000.00	Par	40,000,000.00
Principal	39,000,000.00	Principal	39,000,000.00
Repo Rate	1.1	Repo Rate	1.1
Revr Rate	2.2	Revr Rate	2.2

Comment:

Next - Action: File: Key:

record updated

Figure 6-5: Substitution/Reprice Notification Screen in Update Mode

- When all fields have been populated, type **Y** in the Action field and press **Enter** to submit the notification. If the submission is accepted, the system responds with a Record Updated message. The Substitution procedure is complete.

6.3.2. SUBMITTING REPLACEMENT COLLATERAL DETAILS AFTER (NEXT DAY OR LATER) THE INITIAL SUBSTITUTION REQUEST

Use this procedure only if the submission date of the Replacement Collateral details is after the submission date of the initial Substitution Request.

- Type **FLM** on the command line of the System Command screen. Press **Tab** to advance the cursor to **element 1**.

```
command: FLM
          element 1: AD
          element 2: PSN
          element 3: 9999
```

Figure 6-6: System Command Screen

- Type **AD** in **element 1** to activate the Add Qualifier. Press **Tab** to advance the cursor to **element 2**.

3. Type PSN in **element 2** to activate the Participant Substitution Notification. Press Tab to advance the cursor to **element 3**.
4. Type your firm's ID number in **element 3**. Press Enter, and the Substitution/Reprice Notification screen is displayed in Add Mode.

G*S*C*C>> **Substitution/Reprice Notification** Mode:AD

Notification #:
 Submitter: 9999 Giveup?: Y Add Mode
 Repo Part Id: 8888 Repo Ref:
 Revr Part Id: 7777 Revr Ref:
 Start Date: 07/05/2004 **A**
 End Date: 08/15/2004

CURRENT B		REPLACEMENT C	
Collateral Description	371488AA5	Collateral Description	9128272C5
Par	40,000,000.00	Par	40,000,000.00
Principal	39,000,000.00	Principal	39,000,000.00
Repo Rate	1.1	Repo Rate	1.1
Revr Rate	2.2	Revr Rate	2.2

Comment: Brokers Only

Next - Action: File: **D** Key: XXXXXXXXXX

Please Log Notification Number: 21

Figure 6-7: Substitution/Reprice Notification Screen in Add Mode

5. Populate the mandatory general fields at the top of the screen, including Repo Participant ID, Revr Participant ID, Start Date, and End Date (see A, Figure 6-7). Use the Repo Ref and Revr Ref fields to enter your internal reference numbers (optional for this screen). You can enter a maximum of 16 characters.
6. Populate the Current collateral with the generic CUSIP that was entered on the initial Substitution Request. Be sure to enter Repo Rate, Revr Rate, Par, and Principal from the original trade (see B, Figure 6-7).
7. Populate the Replacement collateral fields (see C, Figure 6-7), including a non-generic CUSIP, Par, and Principal. Replacement Repo Rate (Dealers and Brokers) and Revr Rate (Brokers only) are mandatory input fields if the values differ from the Current values. If Replacement Repo Rate and Revr Rate are blank, the system inserts the Current values.
8. When all fields have been populated, type Y in the Action field and press Enter to submit the notification. If the submission is accepted, the system responds with a Notification Number (see D, Figure 6-7). The Substitution procedure is complete.

6.4. Listing Repo Trades That Are in Generic Status

Use the following procedure to list all Substitution Requests that are in a generic status and have not yet been assigned collateral. For complete details about Listing Trades and List Qualifiers, refer to Section 9 and Appendix A.

1. Type **LST** (or the shortcut **L**) on the command line of the System Command screen (see Figure 6-8). Press **Tab** to advance the cursor to **element 1**.
2. Type the command shown below in **element 1**. Press **Enter**, and a list of all your repo trades in generic status is displayed (see Figure 6-9).

ALL/PR=REPTRD/RSDT<MMDDYYYY/P=XXXX

MMDDYYYY is current business date and XXXX is your Participant ID

```
G*S*C*C>> System Command Screen OpId:ICNS Term:TNA61 09/27/05 15:55:37

command: LST

element 1: ALL/PR=REPTRD/RSDT<MMDDYYYY/P=XXXX
element 2:
element 3:
```

Figure 6-8: System Command Screen

```
G*S*C*C>> ALL Compared Trade Types Level: 10/21/05 17:17:05
List Info
System List
List: ALLS Cnt: 2/50 Qty: 100,000,000.00 Amt: 100,129,722.22
List: ALLL Cnt: 2/50 Qty: 100,000,000.00 Amt: 100,129,722.22
```

A Tid	Txn	Par	Price/Rate	Amount/Commis	Contra
P:9999	S:371488AA5	#:	2 Q:	100,000,000.00 A:	100,129,722.22
000106-0710	REUR	50,000,000.00	1.3	50,064,861.11	9510
000108-0710	REUR	50,000,000.00	1.3	50,064,861.11	9510

A Tid	Txn	Par	Price/Rate	Amount/Commis	Contra
P:9999	S:371488AA5	#:	2 Q:	100,000,000.00 A:	100,129,722.22
000105-0710	REPO	50,000,000.00	1.3	50,064,861.11	9507
000101-0710	REPO	50,000,000.00	1.3	50,064,861.11	9507

Figure 6-9: List Results

6.5. Eligible Generic CUSIPs

CUSIP	Security Description
371488 AA 5	U.S. Treasury Bills
371488 AB 3	U.S. Treasury Securities
371488 AC 1	Non-mortgaged backed Agency Securities
371488 AD 9	Agency Discount Notes
371488 AE 7	U.S. Treasury Securities up to & including 1 year
371488 AF 4	U.S. Treasury Securities with less than 2 years
371488 AG 2	U.S. Treasury Securities with less than 3 years
371488 AH 0	U.S. Treasury Securities with less than 4 years
371488 AJ 6	U.S. Treasury Securities with less than 5 years
371488 AK 3	U.S. Treasury Securities with less than 6 years
371488 AL 1	U.S. Treasury Securities with less than 7 years
371488 AM 9	U.S. Treasury Securities with less than 8 years
371488 AN 7	U.S. Treasury Securities with less than 9 years
371488 AP 2	U.S. Treasury Securities with less than 10 years
371488 AQ 0	U.S. Treasury Securities with less than 20 years
371488 AR 8	U.S. Treasury Securities with less than 30 years
371488 AS 6	U.S. Treasury STRIPS
371488 AT 4	TIPS

Table 6-3: Eligible Generic CUSIPs

6.6. Substitution Deadlines

There are three substitution deadlines. All deadlines are in eastern standard time.

- 11:00 a.m. - This is the deadline for submitting an initial Substitution Request. A late fee will be assessed for Substitution Requests that are received after 11:00 a.m..
- 12:00 p.m. - This is the deadline for the broker (or the repo dealer for non-blind-brokered trades) to provide accurate details of replacement collateral to GSD using the Participant Substitution Notification function. A late fee will be assessed for collateral substitution details received after 12:00 p.m..
- 12:30 p.m. - This is the deadline for late submission of information on replacement collateral. Requests received after this deadline are subject to outright rejection. A late fee will be assessed for collateral substitution details received after 12:00 p.m..



A 1-hour extension will be applied to the 12:00 and 12:30 deadlines for high-volume repo substitution days as designated by TBMA. The 1-hour extension may also be applied for high-volume repo substitution days as declared by FICC (see Important Notice GOV071.04).

The 11:00a.m. deadline will not be extended on high-volume repo substitution days.

6.7. Reviewing a Substitution Notification

The following steps explain how to review a previously submitted substitution notification.

1. Type **FLM** on the command line of the System Command screen, and then press **Tab** to advance the cursor to the **element 1** field.
2. Type **RE** to activate the *Review* command, and then press **Tab** to advance the cursor to the **element 2** field.
3. Type **PSN** to activate the Participant Substitution Notification, and then press **Tab** to advance the cursor to the **element 3** field.
4. If the GSD participant number is not set up as an element value in the system, you must now type that number, followed by a slash (/), and then the Notification Number of the collateral substitution to be accessed. If the GSD participant number has been entered as a participant value, simply type the Notification Number of the collateral substitution to be accessed.

Press Enter.

```
command: FLM  
  
element 1: RE  
element 2: PSN  
element 3: 9999/2
```

Figure 6-10: Command Field

6.8. Deleting a Substitution Notification

Occasionally, you may want to remove or revoke a substitution notification. The following steps tell you how to delete a substitution notification.

```
command: FLM  
  
element 1: DE  
element 2: PSN  
element 3: 9999/2
```

Figure 6-11: Command Field

1. Type **FLM** on the command line of the System Command screen, and then press **Tab** to advance the cursor to the **element 1** field.
2. Type **DE** to activate the *Delete* command, and then press **Tab** to advance the cursor to the **element 2** field.
3. Type **PSN** to activate the Participant Substitution Notification, and then press **Tab** to advance the cursor to the **element 3** field.

4. If the GSD participant number is not set up as an element value in the system, you must now type that number, followed by a slash (/), and then the Notification Number of the collateral substitution to be accessed. Otherwise, simply type the Notification Number of the collateral substitution to be accessed.

Now press **Enter** to delete the substitution.

6.9. To Perform Another FLM Operation

Once you have completed your current operation in the Substitution Notification screen, you can immediately perform another operation on that screen without going back to the System Command Screen. The following instructions describe how to do this.

1. When you have completed and entered your operation, advance the cursor to the Next-Action field and enter information into it as you would the **element 1** field on the System Command Screen (i.e., type **AD**, **RE**, or **DE**).
2. Advance the cursor to the **File:** field and treat it as you would the **element 2** field on the System Command Screen (i.e., type **PSN**).
3. Advance the cursor to the **Key:** field and treat it as you would the **element 2** field on the System Command Screen (i.e., type your participant id and, if Viewing or Deleting a notification, the Notification Number).

The Substitution Notification now refreshes, and you may begin your next operation.