

The DTCC logo is displayed in a large, bold, white sans-serif font against a dark background with a repeating geometric pattern of small triangles.

Securing Today. Shaping Tomorrow.®

# **FIXED INCOME CLEARING CORPORATION GOVERNMENT SECURITIES DIVISION**

## **GCF COLLATERAL ELIGIBILITY**

**PUBLICATION DATE:**

June 15, 2017

## **BACKGROUND**

GCF Repo® is a service offered by the Government Securities Division (GSD) of the Fixed Income Clearing Corporation (FICC). The GCF Repo Service enables Members to trade in general collateral repurchase agreements, or “Repos,” based on rate, term and underlying product, throughout the day without requiring intra-day, trade-for-trade settlement on a delivery- versus-payment (DVP) basis. Net settlement occurs at the end of the day for all transactions, creating a highly liquid market.

**THIS DOCUMENT IS INTENDED TO PROVIDE INFORMATION REGARDING COLLATERAL ELIGIBILITY FOR THE GCF REPO SERVICE. THE RULES NOTED BELOW SHOULD BE READ IN CONTEXT OF THE ENTIRE GOVERNMENT SECURITIES DIVISION RULEBOOK, WHICH IS AVAILABLE [HERE](#).**

## **EXCERPT OF THE APPLICABLE GSD RULES**

### **RULE 1 – DEFINITIONS**

#### **Comparable Securities**

The term “Comparable Securities” means, with respect to a security or securities that are represented by a particular Generic CUSIP Number, any other security or securities that are represented by the same Generic CUSIP Number.

#### **Other Acceptable Securities**

The term “Other Acceptable Securities” means, with respect to:

(an) adjustable-rate mortgage-backed security or securities issued by Ginnie Mae, any fixed-rate mortgage-backed security or securities issued by Ginnie Mae, or (an) adjustable-rate mortgage-backed security or securities issued by either Fannie Mae or Freddie Mac: (a) any fixed-rate mortgage-backed security or securities issued by Fannie Mae and Freddie Mac, (b) any fixed-rate mortgage-backed security or securities issued by Ginnie Mae, or (c) any adjustable-rate mortgage-backed security or securities issued by Ginnie Mae.

### **RULE 20 – SPECIAL PROVISIONS FOR GCF REPO TRANSACTIONS**

#### **SECTION 3 – COLLATERAL ALLOCATION**

On each Business Day, the Corporation shall establish collateral allocation requirements for each of a Netting Member's GCF Net Funds Borrower Positions and GCF Net Funds Lender Positions such that: (a) for every GCF Net Funds Borrower Position, the Netting Member shall have a Collateral Allocation Obligation equal to such Position, and (b) for every GCF Net Funds Lender Position, the Netting Member shall have a Collateral Allocation Entitlement equal to such Position. Collateral Allocation Obligations must be satisfied by a Netting Member within the timeframes established for such by the Corporation by notice to all Members. If a Netting Member in a GCF Net Funds Borrower Position does not satisfy its consequent Collateral Allocation Obligation by the final cutoff for such allocation as set forth in the Schedule of GCF Timeframes, it shall be deemed to have failed on such Position, the consequence of which shall be that the Member shall not be entitled to receive the funds

borrowed, but shall owe interest on such funds amount. In addition, the Corporation shall process Collateral Allocation Obligations that are submitted after 6:00 p.m. New York time on a good faith basis only.

If on any Business Day, at the time set forth in the Schedule of GCF Timeframes, a Netting Member's Collateral Allocation Obligation from the previous Business Day is greater than the value of the securities and cash delivered by such Netting Member to satisfy such Collateral Allocation Obligation, then such Netting Member shall deliver to the Corporation additional (i) Comparable Securities, (ii) Other Acceptable Securities, (iii) U.S. Treasury bills, notes or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, such Collateral Allocation Obligations must be satisfied with the posting of Comparable Securities and/or cash only) and/or (iv) cash such that the total value of the securities and cash delivered by such Netting Member to satisfy such Collateral Allocation Obligation is greater than or equal to such Collateral Allocation Obligation. Such additional securities and/or cash must be delivered to the Corporation within the timeframe set forth in the Schedule of GCF Timeframes.

A Netting Member that has, on a particular Business Day, a Collateral Allocation Obligation, may satisfy such Obligation by posting with the Corporation, pursuant to these Rules: (i) Comparable Securities, (ii) Other Acceptable Securities, (iii) U.S. Treasury bills, notes, or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, such Obligations must be satisfied with the posting of Comparable Securities and/or cash only), and/or (iv) cash.

Every Collateral Allocation Entitlement and Collateral Allocation Obligation that is established by the Corporation on a particular Business Day shall be netted on the next Business Day with such day's Collateral Allocation Entitlement and/or Collateral Allocation Obligation, within a timeframe for such established by the Corporation.

On any Business Day (within the timeframes established by the Corporation by notice to all Members), a Netting Member that posted with the Corporation securities in satisfaction of its Collateral Allocation Obligation on the previous Business Day may substitute for any securities so delivered on such day cash, or (i) Comparable Securities, (ii) Other Acceptable Securities, or (iii) U.S. Treasury bills, notes or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, substitution may be with Comparable Securities and/or cash). All requests for substitutions must be made by the substitution deadline established by the Corporation and announced to Members by Important Notice from time to time.

A Netting Member that had a Collateral Allocation Entitlement may not withdraw the securities or cash collateral that it receives from its account at the GCF Clearing Agent Bank and shall have the obligation to settle the new net settlement amount on the next Business Day and the right to receive back from the Corporation the net funds amount that it paid on the previous Business Day. The Corporation shall charge such Netting Member for any actual damages directly suffered by the other Netting Member as a result of not receiving back the same securities, and shall remit any amounts received to the other Netting Member. Such damages must be sufficiently demonstrated to the satisfaction of the Corporation and may not include special, consequential or punitive damages. A Netting Member that had a Collateral Allocation Obligation shall have the obligation to settle the new settlement amount on the next Business Day and the right to receive back from the Corporation the net securities or cash collateral that it posted on the previous Business Day. Notwithstanding the foregoing, if the Netting Member is not able, due to reasons beyond its control and despite exercising best efforts, to return any collateral due back to the Corporation, the Netting Member may return: (i) Comparable Securities, (ii) Other Acceptable Securities, (iii) U.S. Treasury bills, notes, or bonds maturing in a time frame no greater than that of the securities that

have been traded (except where such traded securities are U.S. Treasury bills, such Obligations must be satisfied with the posting of Comparable Securities and/or cash only), and/or (iv) cash.

Notwithstanding the paragraphs immediately above in this Section 3 of Rule 20, Treasury floating rate notes may not be used to satisfy Collateral Allocation Obligations or substitutions with respect to Treasury Inflation-Protected Securities, Separate Trading of Registered Interest and Principal Securities, or fixed-rate mortgage-backed securities issued by Fannie Mae, Freddie Mac or Ginnie Mae.

If an Interbank Pledging Member owes a Prorated Interbank Cash Amount to the Corporation on a particular Business Day at a time established by the Corporation, the Interbank Pledging Member, as security for any and all obligations and liabilities of such Interbank Pledging Member in respect of such Member's Prorated Interbank Cash Amount, hereby grants to the Corporation a perfected security interest in all NFE-Related Collateral, subject to no lien created by or through the Interbank Pledging Member except any such lien in favor of the GCF Clearing Agent Bank maintaining any NFE-Related Account. Each Member hereby authorizes each GCF Clearing Agent Bank with which any NFE-Related Collateral is maintained to agree to act on entitlement orders or other instructions of the Corporation or its designee with respect to such NFE-Related Collateral and to monitor such property and its value on behalf of the Corporation pursuant to such arrangements as the Corporation deems advisable.

The Corporation shall be entitled to its rights as a pledgee under common law and as a secured party under Articles 8 of the New York Uniform Commercial Code with respect to the NFE-Related Collateral. The Corporation shall be entitled to create a security interest in the NFE-Related Collateral in favor of a GCF Clearing Agent Bank as security for the Interbank Cash Amount Debit. In addition, the Corporation shall be entitled to (x) engage the services of the bank or other financial institution at which any NFE-Related Account is maintained to (A) manage, monitor and liquidate any NFE-Related Collateral on behalf of the Corporation and (B) obtain from such bank or other financial institution a liquidity facility or other financing arrangement pursuant to which the Corporation can incur indebtedness for the purpose of satisfying the Interbank Cash Amount Debit and (y) create a security interest in any such NFE-Related Collateral in favor of such bank as security for any facility or financing arrangement referred to in the foregoing subclause.

Notwithstanding anything to the contrary in these Rules, on any particular Business Day, the Corporation, in its sole discretion, may increase the amount of a Netting Member's Collateral Allocation Obligation by as much as ten percent of such Obligation.

For purposes of this Rule 20, the reference to "U.S. Treasury bills, notes or bonds" shall not include Treasury floating rate notes, Treasury Inflation-Protected Securities or Separate Trading of Registered Interest and Principal Securities.

#### SECTION 4 – RIGHT OF SUBSTITUTION

A Netting Member that has, on a particular Business Day, a Collateral Allocation Obligation, may satisfy such Obligation by posting with the Corporation, pursuant to these Rules: (i) Comparable Securities, (ii) Other Acceptable Securities, (iii) U.S. Treasury bills, notes, or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, such Obligations may be satisfied with the posting of Comparable Securities and/or cash only), and/or (iv) cash, regardless of the type of collateral that it had previously posted in connection with such Obligation.

## GCF COLLATERAL TYPES

As described in the GSD Rulebook, the four categories listed below are eligible collateral:

1. Comparable Securities
2. Other Acceptable Securities
3. U.S. Treasury Bills, Notes, or Bonds
4. Cash

The attached document reflects the GCF Generic Security Types with eligible collateral.



GCF Collateral  
Types - Final 2017.pdf

## MINIMUM DENOMINATIONS

The minimum collateral denomination is 25,000.

## NOT ELIGIBLE AS GCF COLLATERAL

The **GNSN – Ginnie Mae I Serial Notes** are not acceptable as collateral for the settlement of Member obligations with respect to Generic CUSIP **371487AQ2** (GNMA Fixed Rate) and Generic CUSIP **371487AR0** (GNMA Adjustable Rate).

## OTHER

Generally, Agency REMICs or CMOs are **not** eligible to satisfy collateral obligations.

## OTHER RESOURCES

Below is a link to the Important Notice announcing the addition of UST Floating Rate Notes.

GOV099.13 - <http://dtcc.com/~media/Files/pdf/2013/12/2/GOV09913.ashx>

Below is a link to The Federal Reserve Bank's Fedwire Securities Service list of issuing GSEs.

<http://www.frbsecurities.org/files/operations/pdf/WebSecuritiesGuide.pdf>