

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 42 SECURITIES AND EXCHANGE COMMISSION File No.* SR - 2016 - * 001
 WASHINGTON, D.C. 20549 Form 19b-4 Amendment No. (req. for Amendments *)

Filing by Fixed Income Clearing Corporation
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 3C(b)(2) * <input type="checkbox"/>
Section 806(e)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document Exhibit 3 Sent As Paper Document

Description
 Provide a brief description of the action (limit 250 characters, required when Initial is checked *).
 The purpose of this filing is to permanently adopt the pilot program for GCF Repo Service and make other clarifying changes to the GSD Rulebook.

Contact Information
 Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Donaldine Last Name * Temple
 Title * Executive Director
 E-mail * dtemple@dtcc.com
 Telephone * (212) 855-3277 Fax

Signature
 Pursuant to the requirements of the Securities Exchange Act of 1934,
 has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.
 (Title *)
 Date 04/19/2016 Managing Director
 By Nikki Poulos
 (Name *)
 NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.
 Persona Not Validated - 1459960765550,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) The purpose of this filing is to amend the Government Securities Division (“GSD”) Rulebook (“GSD Rules”)¹ of FICC in order to (1) permanently adopt the pilot program (the “2015 Pilot Program”)² that is currently in effect for the GCF Repo[®]³ service and that is scheduled to expire on June 22, 2016; (2) add clarifying rule changes regarding a process that is currently in effect with respect to the GCF Repo service and that FICC refers to as the “net-of-net” settlement process; and (3) make technical changes to the GSD Rules. The proposed rule changes consist of changes to GSD Rule 1, GSD Rule 20 and the *Schedule of GCF Timeframes*. The proposed rule changes are attached as Exhibit 5.

Capitalized terms used herein and not otherwise defined shall have the meaning assigned to those terms in the GSD Rules.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

On June 15, 2011, the Risk Committee of FICC’s Board of Directors (the “Board”) approved changes to the GSD Rules that would comply with recommendations that had been made by the Tri-Party Repo Infrastructure Reform Task Force (“TPR”), an industry group formed and sponsored by the Federal Reserve Bank of New York to advance tri-party repo reform recommendations.⁴

The proposed rule changes regarding the net-of-net settlement process and the technical clean-up changes were approved by FICC management pursuant to delegated authority from the Board.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) *Purpose*

¹ The GSD Rules are available at DTCC’s website, www.dtcc.com/legal/rules-and-procedures.aspx.

² Securities Exchange Act Release No. 34-75258 (June 22, 2015), 80 FR 36879 (June 26, 2015) (SR-FICC-2015-002).

³ GCF Repo is a registered trademark of FICC/DTCC.

⁴ Information about the Federal Reserve’s Tri-Party Repo Infrastructure Reform is available via http://www.newyorkfed.org/banking/tpr_infr_reform.html.

i. *Background: Description of the GCF Repo Service and History*

(1) *Development of the GCF Repo Service*

The GCF Repo service was developed as part of a collaborative effort among the Government Securities Clearing Corporation (“GSCC”) (FICC’s predecessor), its two clearing banks (The Bank of New York Mellon (“BNY”) and JPMorgan Chase Bank, National Association (“Chase”)) and industry representatives. GSCC introduced the GCF Repo service on an *intra*-clearing bank basis in 1998.⁵ Under the intrabank service, Dealers⁶ could only engage in GCF Repo Transactions⁷ with other Dealers that cleared at the *same* clearing bank.

Currently, the GCF Repo service allows Netting Members⁸ that participate in the service to trade general collateral repos⁹ throughout the day without requiring intra-day, trade-for-trade settlement on a delivery-versus-payment (“DVP”) basis. The service allows Dealers to trade such general collateral repos, based on rate and term, throughout the day with Inter-Dealer Broker Netting Members¹⁰ on a blind basis. Standardized Generic CUSIP Numbers¹¹ have been established exclusively for GCF Repo processing

⁵ Securities Exchange Act Release No. 34-40623 (October 30, 1998) 63 FR 59831 (November 5, 1998) (SR-GSCC-98-02).

⁶ Pursuant to the GSD Rules, the term “Dealer” means a member that is a registered Government Securities Dealer. GSD Rule 1, Definitions.

⁷ Pursuant to the GSD Rules, the term “GCF Repo Transaction” means a Repo Transaction involving Generic CUSIP Numbers the data on which are submitted to the Corporation on a Locked-In-Trade basis pursuant to the provisions of Rule 6C, for netting and settlement by the Corporation pursuant to the provisions of Rule 20. GSD Rule 1, Definitions.

⁸ Pursuant to the GSD Rules, the term “Netting Member” means a Member that is a Member of the Comparison System and the Netting System. GSD Rule 1, Definitions.

⁹ A general collateral repo is a repo in which the underlying securities collateral is nonspecific, general collateral whose identification is at the option of the seller. This is in contrast to a specific collateral repo.

¹⁰ Pursuant to the GSD Rules, the term “Inter-Dealer Broker Netting Member” shall have the meaning set forth in Section 2 of Rule 2A. GSD Rule 1, Definitions.

¹¹ Pursuant to the GSD Rules, the term “Generic CUSIP Number” means a Committee on Uniform Securities Identification Procedures identifying number established for a category of securities, as opposed to a specific security. The Corporation shall use

and are used to specify the acceptable type of underlying Fedwire book-entry eligible collateral, which includes Treasuries, Agencies and certain mortgage-backed securities.

(2) Creation of the Interbank Version of the GCF Repo Service

In 1999, GSCC expanded the GCF Repo service to permit Dealers to engage in GCF Repo trading on an *inter*-clearing bank basis, meaning that Dealers using *different* clearing banks could enter into GCF Repo Transactions (on a blind brokered basis).¹² Because Dealers that participate in the GCF Repo service do not all clear at the same clearing bank, introducing the service as an interbank service necessitated the establishment of a mechanism to permit after-hours movements of securities between the two clearing banks to deal with the fact that GSCC would likely have unbalanced net GCF securities and cash positions within each clearing bank (meaning that, it is likely that at the end of GCF Repo processing each business day, the Dealers in one clearing bank will be net funds borrowers, while the Dealers at the other clearing bank will be net funds lenders). To address this issue, GSCC and its clearing banks established, and the Commission approved, a legal mechanism by which securities would “move” across the clearing banks without the use of the securities Fedwire.¹³ Therefore, at the end of the day, after the GCF Net Settlement Position¹⁴ results are produced, securities are pledged via a tri-party-like mechanism and the interbank cash component is moved via Fedwire. In the morning, the pledges are unwound (meaning that funds are returned to the net funds lenders and securities are returned to the net funds borrowers).

The following simplified example illustrates the manner in which the GCF Repo services works on an *interbank* basis:

Assume that Dealer B clears at BNY and Dealer C clears at Chase. Further assume that: (i) outside of FICC, Dealer B engages in a tri-party repo transaction with Party X to obtain funds and seeks to invest such funds via a GCF Repo Transaction, (ii)

separate Generic CUSIP Numbers for General Collateral Repo Transactions and GCF Repo Transactions. GSD Rule 1, Definitions.

¹² Securities Exchange Act Release No. 34-41303 (April 16, 1999) 64 FR 20346 (April 26, 1999) (SR-GSCC-99-01).

¹³ *See id.* for a detailed description of the clearing bank and FICC accounts needed to effect the after hour movement of securities. It should be noted that movements of cash do not present the same issue because the cash Fedwire is open later than the securities Fedwire.

¹⁴ Pursuant to the GSD Rules, the term “GCF Net Settlement Position” means, on a particular Business Day as regards a Netting Member’s GCF Repo Transaction activity in a particular Generic CUSIP Number, either a GCF Net Funds Lender Position or a GCF Net Funds Borrower Position, as the context requires. See GSD Rule 1, Definitions.

outside of FICC, Dealer C engages in a DVP repo with Party Y to buy securities and seeks to finance these securities via a GCF Repo Transaction, and (iii) Dealer B and Dealer C enter into a GCF Repo Transaction (on a blind basis via a GCF Repo broker) and submit the trade details to FICC.

At the end of “Day 1”, GCF Repo collateral must be allocated, i.e., Dealer B must receive the securities. However, the securities that Dealer B is to receive are at Chase and the securities Fedwire is closed. The after-hours movement mechanism permits the securities to be “sent” to Dealer B as follows: FICC will instruct Chase to allocate to a special FICC clearance account at Chase securities in an amount equal to the net short securities position.

FICC has established on its own books and records two “securities accounts” as defined in Article 8 of the New York Uniform Commercial Code, one in the name of Chase (“FICC Account for Chase”) and one in the name of BNY (“FICC Account for BNY”). The FICC Account for Chase is comprised of the securities in FICC’s special clearance account maintained by BNY (“FICC Special Clearance Account at BNY for Chase”), and the FICC Account for BNY is comprised of the securities in FICC’s special clearance account maintained by Chase (“FICC Special Clearance Account at Chase for BNY”).¹⁵ The establishment of these securities accounts by FICC in the name of the clearing banks enables the bank that is in the net long securities position to “receive” securities by pledge after the close of the securities Fedwire. Once the clearing bank has “received” the securities by pledge, it can credit them by book-entry to a FICC GCF Repo account at that clearing bank and then to the Dealers that clear at that bank that are net long the securities in connection with GCF Repo trades.

In the example, Chase, as agent for FICC, will transmit to BNY a description of the securities in the FICC Special Clearance Account at Chase for BNY. Based on this description, BNY will transfer funds equal to the funds borrowed position to the FICC GCF Repo account at Chase. Upon receipt of the funds by Chase, Chase will release any liens it may have on the FICC Special Clearance Account at Chase for BNY, and FICC will release any liens it may have on FICC Account for BNY (both of these accounts being comprised of the same securities). BNY will credit the securities in the FICC Account for BNY to FICC’s GCF Repo account at BNY, and BNY will further credit these securities to Dealer B, who, as noted, is in a net long securities position. In the morning of “Day 2,” all securities and funds movements occurring on Day 1, are reversed (“unwind”).

¹⁵ FICC has appointed Chase as its agent to maintain FICC’s books and records with respect to the BNY securities account, and FICC has appointed BNY as its agent to maintain FICC’s books and records with respect to the Chase securities account.

(3) Issues with Morning Unwind Process

In 2003, FICC shifted the GCF Repo service back to intrabank status only.¹⁶ By that time, the service had grown significantly in participation and volume. However, with the increase in use of the interbank service, certain payments systems risk issues arose from the inter-bank funds settlements related to the service, namely, the large interbank funds movement in the morning. FICC shifted the service back to intrabank status to enable management to study the issues presented and identify a satisfactory solution for bringing the service back to interbank status.

(4) The NFE Filing and Restoration of Service to Interbank Status

In 2007, FICC submitted a rule filing to address the issues raised by the interbank morning funds movement and return the GCF Repo service to interbank status (the “2007 NFE Filing”).¹⁷ The 2007 NFE Filing addressed these issues by using a hold against a Dealer’s “net free equity” (“NFE”) at the clearing bank to collateralize its GCF Repo cash obligation to FICC on an intraday basis.¹⁸

ii. Annual Pilot Program, and Reasons for Adopting the Pilot Program Permanently

In July 2011, FICC submitted a rule filing to the Commission (SR-FICC-2011-05)¹⁹ proposing to make certain changes to its GCF Repo service in order to comply with the recommendations that had been made by the TPR.²⁰ Because the GCF Repo service operates as a tri-party mechanism, FICC was requested to incorporate changes to the GCF Repo service to

¹⁶ Securities Exchange Act Release No. 34-48006 (June 10, 2003), 66 FR 35745 (June 16, 2003) (SR-FICC-2003-04).

¹⁷ Securities Exchange Act Release No. 34-57652 (April 11, 2008), 73 FR 20999 (April 17, 2008) (SR-FICC-2007-08).

¹⁸ NFE is a methodology that clearing banks use to determine whether an account holder (such as a dealer) has sufficient collateral to enter a specific transaction. NFE allows the clearing bank to place a limit on its customer’s activity by calculating a value on the customer’s balances at the bank. Bank customers have the ability to monitor their NFE balance throughout the day.

¹⁹ Securities Exchange Act Release No. 34-65213 (August 29, 2011), 76 FR 54824 (September 2, 2011) (SR-FICC-2011-05).

²⁰ The main purpose of the TPR was to develop recommendations to address the risk presented by tri-party repo transactions due to the morning reversal or “unwind” process and to move to a process by which transactions are collateralized all day. The TPR’s efforts shall hereinafter be referred to as “Tri-Party Reform.”

align the service with the other TPR recommended changes for the overall tri-party market. In SR-FICC-2011-05, FICC proposed the following rule changes with respect to the GCF Repo service to address the TPR's Recommendations:

- (1) (a) To move the Day 2 unwind from 7:30 a.m. to 3:30 p.m., (b) to move the NFE process from morning to a time established by the Corporation as announced by notice to all members, (c) to move the cut-off time of GCF Repo submissions from 3:35 p.m. to 3:00 p.m., and (d) to move the cut-off time for dealer affirmation or disaffirmation from 3:45 p.m. to 3:00 p.m.
- (2) To establish rules for intraday GCF Repo collateral substitutions.

The rule changes described in SR-FICC-2011-05 were proposed to be run as a pilot program for one year starting from the date on which the filing was approved by the Commission (the "2011 Pilot Program").²¹ Throughout 2011 and the earlier half of 2012, FICC implemented the changes referred to in paragraphs 1(c) and 1(d) above. On June 8, 2012, FICC submitted a rule filing to continue the 2011 Pilot Program, with certain modifications (the "2012 Pilot Program").²² Specifically, the 2012 Pilot Program adopted the following additional changes: (1) the cut-off time for GCF Repo trade submissions was moved from 3:35 p.m. to 3:00 p.m.; (2) the 3:45 p.m. cut-off time for Dealer affirmation or disaffirmation was moved from 3:45 p.m. to 3:00 p.m.; (3) Rule 20 Section 3 was amended to delete the reference to the "morning" timeframe on Day 2 with respect to the NFE process and to add language referencing "at the time established by the Corporation"; (4) Rule 20 Section 3 was amended to provide that all requests for GCF Repo securities collateral substitutions must be submitted by the GCF Repo securities collateral provider by the applicable deadline on Day 2 (the "substitution deadline"); (5) Rule 20 Section 7 was amended to change references to the term "Security" to "security" to conform to the use of "security" throughout the rule; and (6) a defined term for "GCF Collateral Excess Account" was introduced into the GSD Rules. For the next 3 years after that, FICC submitted and the Commission approved rule filings to extend the pilot while the industry was implementing Tri-Party Reform and adapting to the changes brought about by Tri-Party Reform.²³

FICC is seeking the Commission's approval to permanently adopt the rule changes associated with the 2015 Pilot Program, which expires on June 22, 2016. In addition, FICC is also seeking to add a clarification to the GSD Rules to reflect the net-of-net settlement process in

²¹ Securities Exchange Act Release No. 34-65213 (August 29, 2011), 76 FR 54824 (September 2, 2011) (SR-FICC-2011-05).

²² Securities Exchange Release No. 34-67621 (August 8, 2012), 77 FR 48572 (August 14, 2012) (SR-FICC-2012-05).

²³ Securities Exchange Act Release No. 34-70068 (July 30, 2013), 78 FR 47453 (August 5, 2013) (SR-FICC-2013-06); Securities Exchange Act Release No. 34-72457 (June 24, 2014), 79 FR 36856 (June 30, 2014) (SR-FICC-2014-02); and Securities Exchange Act Release No. 34-75258 (June 22, 2015), 80 FR 36879 (SR-FICC-2015-002).

the GCF Repo service, as further explained below. The net-of-net settlement clarification is also a result of Tri-Party Reform and reflects current practice at the GSD. FICC would like to permanently adopt these changes because there is no longer a need to keep extending the pilot. The rule changes associated with the pilot have been in place since 2011 with certain additional modifications that were made in connection with the 2012 Pilot Program, and Netting Members are accustomed to them; this is also the case with the net-of-net settlement changes, which came into effect when the clearing banks implemented this process in 2014 and 2015. This change required no operational changes on the part of FICC; however, FICC is proposing to make changes to the GSD Rules in an effort to ensure that the Rules reflect the current net-of-net settlement process. Any future changes that arise as a result of Tri-Party Reform will constitute stand-alone rule changes and are not expected to affect the rule changes covered in this present filing.

In addition to the above, FICC is also proposing to amend the GSD Rules to include technical clean-up changes to the GSD Rules.

iii. *The Manner in Which the Proposed Rule Change Will Affect GSD Netting Members*

FICC does not believe that the permanent adoption of the rule changes associated with the 2015 Pilot Program will affect Netting Members because the proposed rule changes have been in place since the approval of the 2011 and 2012 pilot-related filings.²⁴ In addition, FICC does not believe that the inclusion of the rule changes associated with the net-of-net settlement will affect Netting Members because these changes are also in effect and reflect current practice.

The proposed technical changes will not affect Netting Members because they do not change the existing meaning of the GSD Rules.

These rule changes are as follows:

(1) *Proposed Change Regarding the Morning Unwind and Related Rule Changes*

At the beginning of the Tri-Party Reform effort, the TPR recommended that the daily unwind²⁵ for all tri-party transactions be moved from the morning to 3:30 p.m. The TPR made this recommendation in order to achieve the benefit of reducing the banks' intraday exposure to the Dealers. Because the GCF Repo service is essentially a tri-party mechanism, the TPR requested that FICC accommodate this time change. For the GSD Rules, this necessitated a change to the GSD's Schedule of GCF Timeframes. Specifically, the 7:30 a.m. time in the Schedule of GCF Timeframes was deleted and the language therein was moved to a new time of 3:30 p.m. Because the net-of-net

²⁴ See footnotes 19 and 22 above.

²⁵ See footnote 20 above.

settlement process has now replaced the unwind, as further described below, FICC is further amending the language for the 3:30 p.m. time slot to reflect the net-of-net settlement process.

At the same time as the change to the time of the unwind needed to be made, GSD was also required to make an additional change to its processes in conjunction with the move of the unwind to 3:30 p.m. As noted above, the NFE process works in conjunction with the unwind. The process utilizes a hold against a Netting Member's NFE at the clearing bank to collateralize the Netting Member's GCF Repo cash obligation to FICC on an intraday basis. As part of Tri-Party Reform, because the unwind moved from the morning to 3:30 p.m. and because the NFE process was tied to the moment of the unwind, the NFE process also was required to move to coincide with the new time. As part of the pilot, the necessary rule change was made to the paragraph in Section 3 of GSD Rule 20 that addresses the NFE process to delete the reference to the "morning" timeframe and to replace it with general language referencing "at the time established by the Corporation." Because the net-of-net settlement process has now replaced the unwind, as further described below, FICC is further amending the language in the NFE paragraph to reflect the net-of-net settlement process by deleting the reference to "Day 2" and replacing it with "a particular Business Day."

The change to the time of the unwind also necessitated a change to the cut-off time for GCF Repo trade submissions in the Schedule of GCF Timeframes to an earlier time of 3:00 p.m. in order to allow FICC time to submit files to the clearing banks which, in turn, provide files to Netting Members by 3:30 p.m. This permits Netting Members to have a complete picture of their positions as the unwind (now the net-of-net) occurs at 3:30 p.m. In addition, the 3:45 p.m. cut-off for Dealer affirmation or disaffirmation in the Schedule of GCF Timeframes was moved to 3:00 p.m. so that the new 3:00 p.m. cut-off for submissions also became the cut-off for Dealer affirmations and disaffirmations.

(2) *Proposed Change Regarding Intraday GCF Repo Securities Collateral Substitutions*

As a result of moving the time change of the unwind (which is now the net-of-net settlement process) to 3:30 p.m., the provider of the GCF Repo securities collateral needs a substitution mechanism for the return of its posted collateral in order to make securities deliveries for utilization of such securities in its business activities. The 2015 Pilot Program rule filing (and the previous pilot filings) added a paragraph to Section 3 of Rule 20 to accommodate intraday substitution of collateral. In this filing FICC is further amending this paragraph in Section 3 of Rule 20 to delete "During Day 2" and replace it with "On any Business Day" to accommodate the net-of-net settlement process.

If the GCF Repo Transaction is between Netting Member counterparties effecting the transaction through the same clearing bank (i.e., intrabank), such clearing bank will process each substitution request of the provider of GCF Repo securities collateral submitted prior to the substitution deadline. Netting Members are able to substitute GCF Repo collateral during the day until such time as their new requirement for that day is

fully satisfied and delivered to GSD. For a GCF Repo Transaction that was processed on an interbank basis, FICC initiates a debit of the securities in the account of the lender through the FICC GCF Repo account at the clearing bank of the lender and the FICC GCF Repo account at the clearing bank of the borrower. This movement is done so that a borrower who elects to substitute collateral will have access to the collateral for which it is substituting. This is reflected in the Schedule of GCF Repo Timeframes as the timeframe of 7:30 a.m. through 2:30 p.m. Once the debit has settled, borrowers can submit substitution requests until the substitution deadline.

(3) *Proposed Changes Regarding the Net-of-Net Settlement Process*

As stated above, as part of the Tri-Party Reform effort, GCF Repo Transactions are no longer unwound in the sense of having a reversal of the activity of the previous day. Instead, new obligations and entitlements are netted with the previous day's obligations and entitlements, thereby requiring settlement of only the differential between the previous day's activity and the new activity. To illustrate, consider the scenario in which a Netting Member has on a Business Day a \$100 million delivery obligation to FICC, and on the following Business Day, the same Netting Member has a \$110 million delivery obligation to FICC in the same Generic CUSIP Number. Prior to the net-of-net implementation, to unwind the first Business Day's transaction, FICC would have returned the \$100 million on the second Business Day, and the Netting Member would have also been required to deliver the \$110 million on that Business Day to FICC. However, after net-of-net implementation, on the second Business Day, FICC's return of \$100 million to the Netting Member is netted against the Netting Member's obligation to deliver \$110 million to FICC, such that the Netting Member is only required to deliver the additional \$10 million to FICC.

The net-of-net settlement process was implemented by the clearing banks in 2014-2015 and it became FICC's practice at that time. Thus, FICC is proposing to revise the references in Rule 20 to accurately reflect the net-of-net settlement process.

Some of the proposed rule changes necessary to reflect the net-of-net settlement process have already been discussed above. In addition to the changes in this regard discussed above, FICC is proposing to delete the "Day 1/Day 2" terminology in Section 3 of GSD Rule 20, delete terminology pertaining to "reversal" of obligations, and insert terminology regarding "netting" of obligations.

(4) *Proposed Changes Regarding the Technical Changes*

The technical clean-up changes will not affect Netting Members because these changes do not change the meaning of the GSD Rules as they apply to such Members.

- iv. *Any Significant Problems Known to FICC that Netting Members are Likely to Have in Complying with the Proposed Rule Change*

FICC does not believe that Netting Members will have problems in complying with the proposed rule changes that permanently adopt the 2015 Pilot and the net-of-net settlement process because these changes are already in effect and reflect current practice. In addition, FICC is not aware of any problems that Netting Members have in complying with these provisions today. FICC does not believe that Netting Members will have a problem complying with the technical changes because they do not change the manner in which the Rules apply to such Members.

v. *Detailed Description of the Proposed Rule Changes in Exhibit 5*

The proposed rule changes are as follows:

(a) *Proposed Changes to Rule 1*

The term “GCF Collateral Excess Account” means an account established by a GCF Custodian Bank in the name of the Corporation to hold securities it credits to the GCF Securities Account the Corporation establishes for another GCF Clearing Agent Bank.

(b) *Proposed Changes to Rule 20 Section 3*

1. References to “Day 1” and “Day 2” are proposed to be replaced with references to “particular” or “next” Business Days in order to accommodate the net-of-net settlement clarification. Additional drafting changes are reflected, where necessary, to add clarity to this change.
2. A new paragraph has been added to reflect the collateral substitution process.
3. The second sentence of the fifth paragraph has been moved to the end of the paragraph for ease of reading. This change also necessitates the deletion of the last sentence of the existing paragraph, which reads as follows: “subject to the provisions of the second sentence of this paragraph.”
4. The seventh paragraph has been amended to delete the reference to “the morning of Day 2” and replace such reference with “a particular Business Day at a time established by the Corporation...” This change reflects that the NFE process is no longer in the morning and also further accommodates the net-of-net settlement clarification.

(c) *Proposed Change to Rule 20 Section 7*

Rule 20 Section 7 is proposed to be amended to reflect the following technical clean-up changes:

1. The term “Security” has been changed to “security” in order to conform to the use of “security” throughout this section.

2. The term “GCF Collateral Excess Account” was inadvertently not included in the Rules; thus, it is being introduced in this section in order to add clarity. This term is defined in Rule 1 as “the account established by a GCF Custodian Bank in the name of the Corporation to hold securities it credits to the GCF Securities Account the Corporation establishes for another GCF Clearing Bank.”

(d) *Proposed Changes to the Schedule of GCF Timeframes*

The *Schedule of GCF Timeframes* is proposed to be amended as follows:

1. To delete the 7:30 a.m. deadline for the return of collateral and replace it with a 3:30 p.m. time at which the net-of-net settlement process occurs.
2. To add the 7:30 a.m. through 2:30 p.m. timeframe for the facilitation of interbank collateral substitutions.
3. To change the cut-off time for GCF Repo Transaction submission from 3:35 p.m. to 3:00 p.m. and to also make 3:00 p.m. the deadline for Dealer trade affirmation or disaffirmation and to state that all unaffirmed trades will be automatically affirmed by FICC, that FICC will notify banks and Dealers of final positions and that collateral allocations begin.
4. To delete the 3:45 p.m. deadline (all of whose processes are now referenced at the 3:00 p.m. timeframe).

(b) *Statutory Basis*

This proposed rule change is designed to (1) permanently adopt the rules in the 2015 Pilot Program; (2) incorporate language into the GSD Rules to reflect the net-of-net settlement process; and (3) make technical changes to the GSD Rules. The 2015 Pilot Program has already been approved by the Commission as consistent with the Securities Exchange Act of 1934, as amended (the “Exchange Act”).²⁶ The rules adopted in the 2015 Pilot Program were intended to advance the TPR’s Tri-Party Reform recommendations to make the tri-party repo industry safer by moving the morning unwind process to the afternoon in an effort to ensure that such transactions are collateralized all day, thereby limiting the amount of intraday credit that is extended by clearing banks during the day. Permanently adopting these rules will serve to minimize systemic risk and bring certainty to market participants. Accordingly, the permanent adoption the 2015 Pilot Program rules will help to protect investors and the public interest, and help to assure the safeguarding of securities and funds which are in FICC’s custody or control or

²⁶ Securities Exchange Act Release No. 34-75258 (June 22, 2015), 80 FR 36879 (June 26, 2015) (SR-FICC-2015-002); 15 U.S.C. 78a et seq.

for which FICC is responsible, consistent with Section 17A(b)(3)(F) of the Exchange Act.²⁷ Permanently adopting these rules will also avoid the need for FICC to renew the pilot program annually.

Codifying the net-of-net settlement process in the GSD Rules constitutes no change to FICC's current operations because the net-of-net settlement process was implemented by the clearing banks in 2014-2015. Changing the GSD Rules to reflect the net-of-net settlement process will eliminate obsolete language from the GSD Rules. Similarly, the technical changes proposed in this filing will make non-substantive corrections that will clarify the GSD Rules. Accordingly, the changes related to the net-of-net settlement process and the technical changes to the GSD Rules will provide for a more well-founded and transparent legal framework for FICC's activities, consistent with Exchange Act Rule 17Ad-22(d)(1).²⁸

4. Self-Regulatory Organization's Statement on Burden on Competition

FICC does not believe that the proposed rule change would impose any burden on competition. The proposed changes apply to all Netting Members participating in the GCF Repo service and reflect industry reform efforts that apply to similar transactions outside of FICC.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments on the proposed rule change have not yet been solicited or received. FICC will notify the Commission of any written comments received by FICC.

6. Extension of Time Period for Commission Action

FICC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Not applicable.

²⁷ 15 U.S.C. 78q-1(b)(3)(F).

²⁸ 17 CFR 240.17Ad-22(d)(1).

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on the rules of another self-regulatory organization or the Commission.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1 – Not Applicable.

Exhibit 1A – Notice of Proposed Rule for publication in the Federal Register.

Exhibit 2 – Not Applicable.

Exhibit 3 – Not Applicable.

Exhibit 4 – Not Applicable.

Exhibit 5 – Proposed GSD Rule Changes.

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-[_____]); File No. SR-FICC-2016-001)
[DATE]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to the GCF Repo® Service

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”) and Rule 19b-4,² notice is hereby given that on _____, 2016, Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which items have been prepared primarily by FICC. FICC filed the proposed rule change pursuant to Section 19(b)(2)³ of the Act. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of amendments to the Government Securities Division (“GSD”) Rulebook⁴ (“GSD Rules”) in order to (1) permanently adopt the pilot program (the “2015 Pilot Program”)⁵ that is currently in effect for the GCF Repo®⁶

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(2).

⁴ The GSD Rulebook is available at DTCC’s website, www.dtcc.com/legal/rules-and-procedures.aspx.

⁵ Securities Exchange Act Release No. 34-75258 (June 22, 2015), 80 FR 36879 (June 26, 2015) (SR-FICC-2015-002).

service and that is scheduled to expire on June 22, 2016; (2) add clarifying rule changes regarding a process that is currently in effect with respect to the GCF Repo service and that FICC refers to as the “net-of-net” settlement process; and (3) make technical changes to the GSD Rules. The proposed rule changes consist of changes to GSD Rule 1, GSD Rule 20 and the *Schedule of GCF Timeframes*.

Capitalized terms used herein and not otherwise defined shall have the meaning assigned to those terms in the GSD Rules.

II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

(A) Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

i. *Background: Description of the GCF Repo Service and History*

(1) *Development of the GCF Repo Service*

The GCF Repo service was developed as part of a collaborative effort among the Government Securities Clearing Corporation (“GSCC”) (FICC’s predecessor), its two clearing banks (The Bank of New York Mellon (“BNY”)

⁶ GCF Repo is a registered trademark of FICC/DTCC.

and JPMorgan Chase Bank, National Association (“Chase”)) and industry representatives. GSCC introduced the GCF Repo service on an *intra*-clearing bank basis in 1998.⁷ Under the intrabank service, Dealers⁸ could only engage in GCF Repo Transactions⁹ with other Dealers that cleared at the *same* clearing bank.

Currently, the GCF Repo service allows Netting Members¹⁰ that participate in the service to trade general collateral repos¹¹ throughout the day without requiring intra-day, trade-for-trade settlement on a delivery-versus-payment (“DVP”) basis. The service allows Dealers to trade such general collateral repos, based on rate and term, throughout the day with Inter-Dealer Broker Netting Members¹² on a blind basis. Standardized Generic CUSIP

⁷ Securities Exchange Act Release No. 34-40623 (October 30, 1998) 63 FR 59831 (November 5, 1998) (SR-GSCC-98-02).

⁸ Pursuant to the GSD Rules, the term “Dealer” means a member that is a registered Government Securities Dealer. GSD Rule 1, Definitions.

⁹ Pursuant to the GSD Rules, the term “GCF Repo Transaction” means a Repo Transaction involving Generic CUSIP Numbers the data on which are submitted to the Corporation on a Locked-In-Trade basis pursuant to the provisions of Rule 6C, for netting and settlement by the Corporation pursuant to the provisions of Rule 20. GSD Rule 1, Definitions.

¹⁰ Pursuant to the GSD Rules, the term “Netting Member” means a Member that is a Member of the Comparison System and the Netting System. GSD Rule 1, Definitions.

¹¹ A general collateral repo is a repo in which the underlying securities collateral is nonspecific, general collateral whose identification is at the option of the seller. This is in contrast to a specific collateral repo.

¹² Pursuant to the GSD Rules, the term “Inter-Dealer Broker Netting Member” shall have the meaning set forth in Section 2 of Rule 2A. GSD Rule 1, Definitions.

Numbers¹³ have been established exclusively for GCF Repo processing and are used to specify the acceptable type of underlying Fedwire book-entry eligible collateral, which includes Treasuries, Agencies and certain mortgage-backed securities.

(2) Creation of the Interbank Version of the GCF Repo Service

In 1999, GSCC expanded the GCF Repo service to permit Dealers to engage in GCF Repo trading on an *inter*-clearing bank basis, meaning that Dealers using *different* clearing banks could enter into GCF Repo Transactions (on a blind brokered basis).¹⁴ Because Dealers that participate in the GCF Repo service do not all clear at the same clearing bank, introducing the service as an interbank service necessitated the establishment of a mechanism to permit after-hours movements of securities between the two clearing banks to deal with the fact that GSCC would likely have unbalanced net GCF securities and cash positions within each clearing bank (meaning that, it is likely that at the end of GCF Repo processing each business day, the Dealers in one clearing bank will be net funds borrowers, while the Dealers at the other clearing bank will be net funds lenders). To address this issue, GSCC and its clearing banks established, and the Commission approved, a legal mechanism by which securities would “move”

¹³ Pursuant to the GSD Rules, the term “Generic CUSIP Number” means a Committee on Uniform Securities Identification Procedures identifying number established for a category of securities, as opposed to a specific security. The Corporation shall use separate Generic CUSIP Numbers for General Collateral Repo Transactions and GCF Repo Transactions. GSD Rule 1, Definitions.

¹⁴ Securities Exchange Act Release No. 34-41303 (April 16, 1999) 64 FR 20346 (April 26, 1999) (SR-GSCC-99-01).

across the clearing banks without the use of the securities Fedwire.¹⁵ Therefore, at the end of the day, after the GCF Net Settlement Position¹⁶ results are produced, securities are pledged via a tri-party-like mechanism and the interbank cash component is moved via Fedwire. In the morning, the pledges are unwound (meaning that funds are returned to the net funds lenders and securities are returned to the net funds borrowers).

The following simplified example illustrates the manner in which the GCF Repo services works on an *interbank* basis:

Assume that Dealer B clears at BNY and Dealer C clears at Chase.

Further assume that: (i) outside of FICC, Dealer B engages in a tri-party repo transaction with Party X to obtain funds and seeks to invest such funds via a GCF Repo Transaction, (ii) outside of FICC, Dealer C engages in a DVP repo with Party Y to buy securities and seeks to finance these securities via a GCF Repo Transaction, and (iii) Dealer B and Dealer C enter into a GCF Repo Transaction (on a blind basis via a GCF Repo broker) and submit the trade details to FICC.

At the end of “Day 1”, GCF Repo collateral must be allocated, i.e., Dealer B must receive the securities. However, the securities that Dealer B is to receive

¹⁵ *See id.* for a detailed description of the clearing bank and FICC accounts needed to effect the after hour movement of securities. It should be noted that movements of cash do not present the same issue because the cash Fedwire is open later than the securities Fedwire.

¹⁶ Pursuant to the GSD Rules, the term “GCF Net Settlement Position” means, on a particular Business Day as regards a Netting Member’s GCF Repo Transaction activity in a particular Generic CUSIP Number, either a GCF Net Funds Lender Position or a GCF Net Funds Borrower Position, as the context requires. See GSD Rule 1, Definitions.

are at Chase and the securities Fedwire is closed. The after-hours movement mechanism permits the securities to be “sent” to Dealer B as follows: FICC will instruct Chase to allocate to a special FICC clearance account at Chase securities in an amount equal to the net short securities position.

FICC has established on its own books and records two “securities accounts” as defined in Article 8 of the New York Uniform Commercial Code, one in the name of Chase (“FICC Account for Chase”) and one in the name of BNY (“FICC Account for BNY”). The FICC Account for Chase is comprised of the securities in FICC’s special clearance account maintained by BNY (“FICC Special Clearance Account at BNY for Chase”), and the FICC Account for BNY is comprised of the securities in FICC’s special clearance account maintained by Chase (“FICC Special Clearance Account at Chase for BNY”).¹⁷ The establishment of these securities accounts by FICC in the name of the clearing banks enables the bank that is in the net long securities position to “receive” securities by pledge after the close of the securities Fedwire. Once the clearing bank has “received” the securities by pledge, it can credit them by book-entry to a FICC GCF Repo account at that clearing bank and then to the Dealers that clear at that bank that are net long the securities in connection with GCF Repo trades.

In the example, Chase, as agent for FICC, will transmit to BNY a description of the securities in the FICC Special Clearance Account at Chase for

¹⁷ FICC has appointed Chase as its agent to maintain FICC’s books and records with respect to the BNY securities account, and FICC has appointed BNY as its agent to maintain FICC’s books and records with respect to the Chase securities account.

BNY. Based on this description, BNY will transfer funds equal to the funds borrowed position to the FICC GCF Repo account at Chase. Upon receipt of the funds by Chase, Chase will release any liens it may have on the FICC Special Clearance Account at Chase for BNY, and FICC will release any liens it may have on FICC Account for BNY (both of these accounts being comprised of the same securities). BNY will credit the securities in the FICC Account for BNY to FICC's GCF Repo account at BNY, and BNY will further credit these securities to Dealer B, who, as noted, is in a net long securities position. In the morning of "Day 2," all securities and funds movements occurring on Day 1, are reversed ("unwind").

(3) Issues with Morning Unwind Process

In 2003, FICC shifted the GCF Repo service back to intrabank status only.¹⁸ By that time, the service had grown significantly in participation and volume. However, with the increase in use of the interbank service, certain payments systems risk issues arose from the inter-bank funds settlements related to the service, namely, the large interbank funds movement in the morning. FICC shifted the service back to intrabank status to enable management to study the issues presented and identify a satisfactory solution for bringing the service back to interbank status.

(4) The NFE Filing and Restoration of Service to Interbank Status

¹⁸ Securities Exchange Act Release No. 34-48006 (June 10, 2003), 66 FR 35745 (June 16, 2003) (SR-FICC-2003-04).

In 2007, FICC submitted a rule filing to address the issues raised by the interbank morning funds movement and return the GCF Repo service to interbank status (the “2007 NFE Filing”).¹⁹ The 2007 NFE Filing addressed these issues by using a hold against a Dealer’s “net free equity” (“NFE”) at the clearing bank to collateralize its GCF Repo cash obligation to FICC on an intraday basis.²⁰

ii. *Annual Pilot Program, and Reasons for Adopting the Pilot Program Permanently*

In July 2011, FICC submitted a rule filing to the Commission (SR-FICC-2011-05)²¹ proposing to make certain changes to its GCF Repo service in order to comply with the recommendations that had been made by the Tri-party Repo Infrastructure Reform Task Force (“TPR”),²² an industry group formed and sponsored by the Federal Reserve Bank of New York to advance tri-party repo reform recommendations.²³ Because the GCF Repo service operates as a tri-party

¹⁹ Securities Exchange Act Release No. 34-57652 (April 11, 2008), 73 FR 20999 (April 17, 2008) (SR-FICC-2007-08).

²⁰ NFE is a methodology that clearing banks use to determine whether an account holder (such as a dealer) has sufficient collateral to enter a specific transaction. NFE allows the clearing bank to place a limit on its customer’s activity by calculating a value on the customer’s balances at the bank. Bank customers have the ability to monitor their NFE balance throughout the day.

²¹ Securities Exchange Act Release No. 34-65213 (August 29, 2011), 76 FR 54824 (September 2, 2011) (SR-FICC-2011-05).

²² Information about the Federal Reserve’s Tri-party Repo Infrastructure Reform is available via http://www.newyorkfed.org/banking/tpr_infr_reform.html.

²³ The main purpose of the TPR was to develop recommendations to address the risk presented by tri-party repo transactions due to the morning reversal or “unwind” process and to move to a process by which transactions are collateralized all day. The TPR’s efforts shall hereinafter be referred to as “Tri-party Reform.”

mechanism, FICC was requested to incorporate changes to the GCF Repo service to align the service with the other TPR recommended changes for the overall tri-party market. In SR-FICC-2011-05, FICC proposed the following rule changes with respect to the GCF Repo service to address the TPR's Recommendations:

- (1) (a) To move the Day 2 unwind from 7:30 a.m. to 3:30 p.m., (b) to move the NFE process from morning to a time established by the Corporation as announced by notice to all members, (c) to move the cut-off time of GCF Repo submissions from 3:35 p.m. to 3:00 p.m., and (d) to move the cut-off time for dealer affirmation or disaffirmation from 3:45 p.m. to 3:00 p.m.
- (2) To establish rules for intraday GCF Repo collateral substitutions.

The rule changes described in SR-FICC-2011-05 were proposed to be run as a pilot program for one year starting from the date on which the filing was approved by the Commission (the "2011 Pilot Program").²⁴ Throughout 2011 and the earlier half of 2012, FICC implemented the changes referred to in paragraphs 1(c) and 1(d) above. On June 8, 2012, FICC submitted a rule filing to continue the 2011 Pilot Program, with certain modifications (the "2012 Pilot Program").²⁵ Specifically, the 2012 Pilot Program adopted the following additional changes: (1) the cut-off time for GCF Repo trade submissions was moved from 3:35 p.m. to 3:00 p.m.; (2) the 3:45 p.m. cut-off time for Dealer affirmation or

²⁴ Securities Exchange Act Release No. 34-65213 (August 29, 2011), 76 FR 54824 (September 2, 2011) (SR-FICC-2011-05).

²⁵ Securities Exchange Release No. 34-67621 (August 8, 2012), 77 FR 48572 (August 14, 2012) (SR-FICC-2012-05).

disaffirmation was moved from 3:45 p.m. to 3:00 p.m.; (3) Rule 20 Section 3 was amended to delete the reference to the “morning” timeframe on Day 2 with respect to the NFE process and to add language referencing “at the time established by the Corporation”; (4) Rule 20 Section 3 was amended to provide that all requests for GCF Repo securities collateral substitutions must be submitted by the GCF Repo securities collateral provider by the applicable deadline on Day 2 (the “substitution deadline”); (5) Rule 20 Section 7 was amended to change references to the term “Security” to “security” to conform to the use of “security” throughout the rule; and (6) a defined term for “GCF Collateral Excess Account” was introduced into the GSD Rules. For the next 3 years after that, FICC submitted and the Commission approved rule filings to extend the pilot while the industry was implementing Tri-Party Reform and adapting to the changes brought about by Tri-Party Reform.²⁶

FICC is seeking the Commission’s approval to permanently adopt the rule changes associated with the 2015 Pilot Program, which expires on June 22, 2016. In addition, FICC is also seeking to add a clarification to the GSD Rules to reflect the net-of-net settlement process in the GCF Repo service, as further explained below. The net-of-net settlement clarification is also a result of Tri-Party Reform and reflects current practice at the GSD. FICC would like to permanently adopt

²⁶ Securities Exchange Act Release No. 34-70068 (July 30, 2013), 78 FR 47453 (August 5, 2013) (SR-FICC-2013-06); Securities Exchange Act Release No. 34-72457 (June 24, 2014), 79 FR 36856 (June 30, 2014) (SR-FICC-2014-02); and Securities Exchange Act Release No. 34-75258 (June 22, 2015), 80 FR 36879 (SR-FICC-2015-002).

these changes because there is no longer a need to keep extending the pilot. The rule changes associated with the pilot have been in place since 2011 with certain additional modifications that were made in connection with the 2012 Pilot Program, and Netting Members are accustomed to them; this is also the case with the net-of-net settlement changes, which came into effect when the clearing banks implemented this process in 2014 and 2015. This change required no operational changes on the part of FICC; however, FICC is proposing to make changes to the GSD Rules in an effort to ensure that the Rules reflect the current net-of-net settlement process. Any future changes that arise as a result of Tri-Party Reform will constitute stand-alone rule changes and are not expected to affect the rule changes covered in this present filing.

In addition to the above, FICC is also proposing to amend the GSD Rules to include technical clean-up changes to the GSD Rules.

iii. *The Manner in Which the Proposed Rule Change Will Affect GSD Netting Members*

FICC does not believe that the permanent adoption of the rule changes associated with the 2015 Pilot Program will affect Netting Members because the proposed rule changes have been in place since the approval of the 2011 and 2012 pilot-related filings.²⁷ In addition, FICC does not believe that the inclusion of the rule changes associated with the net-of-net settlement will affect Netting Members because these changes are also in effect and reflect current practice.

²⁷ See footnotes 21 and 25 above.

The proposed technical changes will not affect Netting Members because they do not change the existing meaning of the GSD Rules.

These rule changes are as follows:

- (1) Proposed Change Regarding the Morning Unwind and Related Rule Changes

At the beginning of the Tri-Party Reform effort, the TPR recommended that the daily unwind²⁸ for all tri-party transactions be moved from the morning to 3:30 p.m. The TPR made this recommendation in order to achieve the benefit of reducing the banks' intraday exposure to the Dealers. Because the GCF Repo service is essentially a tri-party mechanism, the TPR requested that FICC accommodate this time change. For the GSD Rules, this necessitated a change to the GSD's *Schedule of GCF Timeframes*. Specifically, the 7:30 a.m. time in the *Schedule of GCF Timeframes* was deleted and the language therein was moved to a new time of 3:30 p.m. Because the net-of-net settlement process has now replaced the unwind, as further described below, FICC is further amending the language for the 3:30 p.m. time slot to reflect the net-of-net settlement process.

At the same time as the change to the time of the unwind needed to be made, GSD was also required to make an additional change to its processes in conjunction with the move of the unwind to 3:30 p.m. As noted above, the NFE process works in conjunction with the unwind. The process utilizes a hold against a Netting Member's NFE at the clearing bank to collateralize the Netting Member's GCF Repo cash obligation to FICC on an intraday basis. As part of

²⁸ See footnote 23 above.

Tri-Party Reform, because the unwind moved from the morning to 3:30 p.m. and because the NFE process was tied to the moment of the unwind, the NFE process also was required to move to coincide with the new time. As part of the pilot, the necessary rule change was made to the paragraph in Section 3 of GSD Rule 20 that addresses the NFE process to delete the reference to the “morning” timeframe and to replace it with general language referencing “at the time established by the Corporation.” Because the net-of-net settlement process has now replaced the unwind, as further described below, FICC is further amending the language in the NFE paragraph to reflect the net-of-net settlement process by deleting the reference to “Day 2” and replacing it with “a particular Business Day.”

The change to the time of the unwind also necessitated a change to the cut-off time for GCF Repo trade submissions in the *Schedule of GCF Timeframes* to an earlier time of 3:00 p.m. in order to allow FICC time to submit files to the clearing banks which, in turn, provide files to Netting Members by 3:30 p.m. This permits Netting Members to have a complete picture of their positions as the unwind (now the net-of-net) occurs at 3:30 p.m. In addition, the 3:45 p.m. cut-off for Dealer affirmation or disaffirmation in the *Schedule of GCF Timeframes* was moved to 3:00 p.m. so that the new 3:00 p.m. cut-off for submissions also became the cut-off for Dealer affirmations and disaffirmations.

(2) Proposed Change Regarding Intraday GCF Repo Securities Collateral Substitutions

As a result of moving the time change of the unwind (which is now the net-of-net settlement process) to 3:30 p.m., the provider of the GCF Repo securities collateral needs a substitution mechanism for the return of its posted

collateral in order to make securities deliveries for utilization of such securities in its business activities. The 2015 Pilot Program rule filing (and the previous pilot filings) added a paragraph to Section 3 of Rule 20 to accommodate intraday substitution of collateral. In this filing FICC is further amending this paragraph in Section 3 of Rule 20 to delete “During Day 2” and replace it with “On any Business Day” to accommodate the net-of-net settlement process.

If the GCF Repo Transaction is between Netting Member counterparties effecting the transaction through the same clearing bank (i.e., intrabank), such clearing bank will process each substitution request of the provider of GCF Repo securities collateral submitted prior to the substitution deadline. Netting Members are able to substitute GCF Repo collateral during the day until such time as their new requirement for that day is fully satisfied and delivered to GSD. For a GCF Repo Transaction that was processed on an interbank basis, FICC initiates a debit of the securities in the account of the lender through the FICC GCF Repo account at the clearing bank of the lender and the FICC GCF Repo account at the clearing bank of the borrower. This movement is done so that a borrower who elects to substitute collateral will have access to the collateral for which it is substituting. This is reflected in the *Schedule of GCF Repo Timeframes* as the timeframe of 7:30 a.m. through 2:30 p.m. Once the debit has settled, borrowers can submit substitution requests until the substitution deadline.

(3) Proposed Changes Regarding the Net-of-Net Settlement Process

As stated above, as part of the Tri-party Reform effort, GCF Repo Transactions are no longer unwound in the sense of having a reversal of the

activity of the previous day. Instead, new obligations and entitlements are netted with the previous day's obligations and entitlements, thereby requiring settlement of only the differential between the previous day's activity and the new activity. To illustrate, consider the scenario in which a Netting Member has on a Business Day a \$100 million delivery obligation to FICC, and on the following Business Day, the same Netting Member has a \$110 million delivery obligation to FICC in the same Generic CUSIP Number. Prior to the net-of-net implementation, to unwind the first Business Day's transaction, FICC would have returned the \$100 million on the second Business Day, and the Netting Member would have also been required to deliver the \$110 million on that Business Day to FICC. However, after net-of-net implementation, on the second Business Day, FICC's return of \$100 million to the Netting Member is netted against the Netting Member's obligation to deliver \$110 million to FICC, such that the Netting Member is only required to deliver the additional \$10 million to FICC.

The net-of-net settlement process was implemented by the clearing banks in 2014-2015 and it became FICC's practice at that time. Thus, FICC is proposing to revise the references in Rule 20 to accurately reflect the net-of-net settlement process.

Some of the proposed rule changes necessary to reflect the net-of-net settlement process have already been discussed above. In addition to the changes in this regard discussed above, FICC is proposing to delete the "Day 1/Day 2" terminology in Section 3 of GSD Rule 20, delete terminology pertaining to "reversal" of obligations, and insert terminology regarding "netting" of

obligations.

(4) Proposed Changes Regarding the Technical Changes

The technical clean-up changes will not affect Netting Members because these changes do not change the meaning of the GSD Rules as they apply to such Members.

iv. *Any Significant Problems Known to FICC that Netting Members are Likely to Have in Complying with the Proposed Rule Change*

FICC does not believe that Netting Members will have problems in complying with the proposed rule changes that permanently adopt the 2015 Pilot and the net-of-net settlement process because these changes are already in effect and reflect current practice. In addition, FICC is not aware of any problems that Netting Members have in complying with these provisions today. FICC does not believe that Netting Members will have a problem complying with the technical changes because they do not change the manner in which the Rules apply to such Members.

v. *Detailed Description of the Proposed Rule Changes in Exhibit 5*

The proposed rule changes are as follows:

(a) *Proposed Changes to Rule 1*

The term “GCF Collateral Excess Account” means an account established by a GCF Custodian Bank in the name of the Corporation to hold securities it credits to the GCF Securities Account the Corporation establishes for another GCF Clearing Agent Bank.

(b) *Proposed Changes to Rule 20 Section 3*

1. References to “Day 1” and “Day 2” are proposed to be replaced with references to “particular” or “next” Business Days in order to accommodate the net-of-net settlement clarification. Additional drafting changes are reflected, where necessary, to add clarity to this change.

2. A new paragraph has been added to reflect the collateral substitution process.

3. The second sentence of the fifth paragraph has been moved to the end of the paragraph for ease of reading. This change also necessitates the deletion of the last sentence of the existing paragraph, which reads as follows: “subject to the provisions of the second sentence of this paragraph”.

4. The seventh paragraph has been amended to delete the reference to “the morning of Day 2” and replace such reference with “a particular Business Day at a time established by the Corporation....” This change reflects that the NFE process is no longer in the morning and also further accommodates the net-of-net settlement clarification.

(c) Proposed Change to Rule 20 Section 7

Rule 20 Section 7 is proposed to be amended to reflect the following technical clean-up changes:

1. The term “Security” has been changed to “security” in order to conform to the use of “security” throughout this section.

2. The term “GCF Collateral Excess Account” was inadvertently not included in the Rules thus, it is being introduced in this section in order to add clarity. This term is defined in Rule 1 as “the account established by a GCF

Custodian Bank in the name of the Corporation to hold securities it credits to the GCF Securities Account the Corporation establishes for another GCF Clearing Bank.”

(d) *Proposed Changes to the Schedule of GCF Timeframes*

The *Schedule of GCF Timeframes* is proposed to be amended as follows:

1. To delete the 7:30 a.m. deadline for the return of collateral and replace it with a 3:30 p.m. time at which the net-of-net settlement process occurs.
2. To add the 7:30 a.m. through 2:30 p.m. timeframe for the facilitation of interbank collateral substitutions.
3. To change the cut-off time for GCF Repo Transaction submission from 3:35 p.m. to 3:00 p.m. and to also make 3:00 p.m. the deadline for Dealer trade affirmation or disaffirmation and to state that all unaffirmed trades will be automatically affirmed by FICC, that FICC will notify banks and Dealers of final positions and that collateral allocations begin.
4. To delete the 3:45 p.m. deadline (all of whose processes are now referenced at the 3:00 p.m. timeframe).

2. Statutory Basis

This proposed rule change is designed to (1) permanently adopt the rules in the 2015 Pilot Program; (2) incorporate language into the GSD Rules to reflect the net-of-net settlement process; and (3) make technical changes to the GSD Rules. The 2015 Pilot Program has already been approved by the Commission as consistent with the Act.²⁹ The

²⁹ Securities Exchange Act Release No. 34-75258 (June 22, 2015), 80 FR 36879 (June 26, 2015) (SR-FICC-2015-002); 15 U.S.C. 78a et seq.

rules adopted in the 2015 Pilot Program were intended to advance the TPR's Tri-Party Reform recommendations to make the tri-party repo industry safer by moving the morning unwind process to the afternoon in an effort to ensure that such transactions are collateralized all day, thereby limiting the amount of intraday credit that is extended by clearing banks during the day. Permanently adopting these rules will serve to minimize systemic risk and bring certainty to market participants. Accordingly, the permanent adoption the 2015 Pilot Program rules will help to protect investors and the public interest, and help to assure the safeguarding of securities and funds which are in FICC's custody or control or for which FICC is responsible, consistent with Section 17A(b)(3)(F) of the Exchange Act.³⁰ Permanently adopting these rules will also avoid the need for FICC to renew the pilot program annually.

Codifying the net-of-net settlement process in the GSD Rules constitutes no change to FICC's current operations because the net-of-net settlement process was implemented by the clearing banks in 2014-2015. Changing the GSD Rules to reflect the net-of-net settlement process will eliminate obsolete language from the GSD Rules. Similarly, the technical changes proposed in this filing will make non-substantive corrections that will clarify the GSD Rules. Accordingly, the changes related to the net-of-net settlement process and the technical changes to the GSD Rules will provide for a more well-founded and transparent legal framework for FICC's activities, consistent with Exchange Act Rule 17Ad-22(d)(1).³¹

³⁰ 15 U.S.C. 78q-1(b)(3)(F).

³¹ 17 CFR 240.17Ad-22(d)(1).

(B) Clearing Agency's Statement on Burden on Competition

FICC does not believe that the proposed rule change would impose any burden on competition. The proposed changes apply to all Netting Members participating in the GCF Repo service and reflect industry reform efforts that apply to similar transactions outside of FICC.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments on the proposed rule change have not yet been solicited or received. FICC will notify the Commission of any written comments received by FICC.

III. Date of Effectiveness of the Proposed Rule Change, and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

The Proposal shall not take effect until all regulatory actions required with respect to the proposal are completed.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission’s Internet comment form
(<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FICC-2016-001 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-FICC 2016-001. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission’s Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission’s Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of FICC and on DTCC’s website (<http://dtcc.com/legal/sec-rule-filings.aspx>). All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit

only information that you wish to make available publicly. All submissions should refer to File Number SR-FICC 2016-001 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³²

Secretary

³² 17 CFR 200.30-3(a)(12).

FIXED INCOME CLEARING CORPORATION
GOVERNMENT SECURITIES DIVISION RULEBOOK

Underlined, bold text indicates text proposed to be added in this proposed rule change

~~Strikethrough, bold text~~ indicates text proposed to be deleted in this proposed rule change

RULE 1 – DEFINITIONS

* * *

GCF Collateral Excess Account

The term “GCF Collateral Excess Account” means an account established by a GCF Custodian Bank in the name of the Corporation to hold securities it credits to the GCF Securities Account the Corporation establishes for another GCF Clearing Agent Bank.

¹ Certain of the proposed changes are not new GSD Rules; they are currently reflected in the GSD Rulebook. They have been incorporated into the GSD Rules in connection with the GCF Repo® pilot program. In 2011, the GCF Repo® pilot program was adopted by GSD for a period of one year. On a yearly basis since then, FICC has submitted a rule filing to extend the pilot program for a duration of one year. See Securities Exchange Act Release No. 34-65213 (August 29, 2011), 76 FR 54824 (September 2, 2011)(SR-FICC-2011-05); Securities Exchange Release No. 34-67621 (August 8, 2012), 77 FR 48572 (August 14, 2012) (SR-FICC-2012-05); Securities Exchange Act Release No. 34-70068 (July 30, 2013), 78 FR 47453 (August 5, 2013) (SR-FICC-2013-06); Securities Exchange Act Release No. 34-72457 (June 24, 2014), 79 FR 36856 (June 30, 2014) (SR-FICC-2014-02) and Securities Exchange Act Release No. 34-75258 (June 22, 2015), 80 FR 36879 (SR-FICC-2015-002). The proposed rule changes relating to the net-of-net settlement process are clarifying rule change regarding a process that is currently in effect with respect to the GCF Repo service. The proposed rule changes to Rule 1 and Rule 20 Section 7 are technical clean-up changes.

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RULE 20 - SPECIAL PROVISIONS FOR GCF REPO TRANSACTIONS

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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.

A Netting Member that has, on a particular Business Day ("~~Day 1~~"), 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 ~~Day 1~~ a particular Business Day shall be ~~reversed~~ netted on the next Business Day ("~~Day 2~~") 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, ~~on Day 1,~~ a Collateral Allocation Entitlement shall have the obligation to settle the new net settlement amount on Day 2 the next Business Day to return to the Corporation the securities or cash collateral that it received on Day 1 and the right to receive back from the Corporation the net funds amount that it paid on ~~Day 1 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 on Day 2 the securities it received on Day 1 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.~~ 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, ~~on Day 1,~~ a Collateral Allocation Obligation shall have the obligation on Day 2 to settle the new net settlement amount on the next Business Day return to the Corporation the funds that it received on Day 1 and the right to receive back from the Corporation the net securities or cash collateral that it posted on Day 1 the previous Business Day subject to the provisions of the second sentence of this paragraph. 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 the morning of Day 2 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.

* * *

Section 7 – Establishment and Maintenance of GCF Securities Accounts.

Each GCF Securities Account which the Corporation establishes in the name of a GCF Clearing Agent Bank shall be a “securities account” for purposes of Section 8-501 of the NYUCC. Any ~~Security security~~ that the Corporation credits to a GCF Securities Account shall be a “financial asset” as defined in Section 8-102(a)(9) of the NYUCC. The Corporation shall be a Securities Intermediary with respect to each GCF Securities Account. The GCF Clearing Agent Bank for which a GCF Securities Account is established shall be the Entitlement Holder with respect to the ~~Securities securities~~ in such GCF Securities Account, and any credit of ~~Securities securities~~ to a GCF Securities Account in the name of a Clearing Agent Bank, as agent for customers, shall create in favor of such Clearing Agent Bank a Security Entitlement with respect to such Securities; however, no ~~Security security~~ Entitlement in any ~~Securities securities~~ shall exist in favor of any Clearing Agent Bank until the Corporation has credited such ~~Securities securities~~ to such Clearing Agent Bank’s GCF Securities Account on the Corporation’s books and records.

Each GCF Securities Account shall be used exclusively to hold Eligible Netting Securities in connection with the netting and settlement of GCF Repo Transactions. GCF Securities Accounts may not contain cash.

Securities that the Corporation credits to a GCF Securities Account shall be held in ~~an account in the name of the Corporation at one or more GCF Custodian Banks~~ a GCF Collateral Excess Account.

The Corporation may utilize one or more GCF Custodian Banks to serve as its agent to create and maintain the Corporation’s books and records with respect to a GCF Securities Account, to deliver records with respect to the GCF Securities Account to the Entitlement Holder, and to otherwise act as its agent with respect to the GCF Securities Account.

The Corporation’s duties and obligations with respect to a GCF Securities Account shall be subject to the Securities Account Agreement entered into between the Corporation and the Entitlement Holder.

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SCHEDULE OF GCF TIMEFRAMES
(all times are New York City times)

- 7:00 a.m.** FICC begins to accept from GCF-Authorized Inter-Dealer Brokers ("brokers") data on GCF Repo Transactions -- Brokers must submit data on a GCF Repo Transaction that they are a party to within five minutes of execution of such Transaction
- 7:30 a.m.** ~~GCF Counterparties ("dealers") must, through their clearing bank, return collateral to the FICC account to accomplish the reversal of the previous Business Day's GCF Net Settlement Positions~~

7:30 a.m. – 2:30 p.m. Collateral that was lent interbank is returned to the FICC account at the clearing bank of the lender of securities collateral to facilitate substitutions in the event of a request by such lender

- 10:00 a.m.** Dealers must begin affirming or disaffirming GCF Repo Transactions within one half hour of receipt of data on such transactions from FICC
- 10:30 a.m.** Deadline for dealer affirmation or disaffirmation of all GCF Repo Transactions that they are a party to that are executed prior to 10 a.m.
- 1:00 p.m.** For GCF Repo Transactions executed after 1:00 p.m., dealers must affirm or disaffirm GCF Repo Transactions within ten minutes of their receipt of data on such transactions from FICC
- 3:3500 p.m.** Cutoff for GCF Repo Transaction data submission from brokers to FICC **including dealer trade affirmation or disaffirmation -- all unaffirmed trades automatically affirmed by FICC -- notification by FICC to banks and dealers of final positions -- collateral allocations begin**
- 3:45 p.m.** ~~Cutoff for dealer trade affirmation or disaffirmation -- all unaffirmed trades automatically affirmed by FICC -- notification by FICC to banks and dealers of final positions -- collateral allocations begin~~
- 3:30 p.m.** **Every Collateral Allocation Entitlement and Collateral Allocation Obligation that was established by the Corporation on the previous Business Day shall be netted with the current Business Day's Collateral Allocation Obligation and/or Collateral Allocation Entitlement; GCF Counterparties ("dealers") shall have the obligation to settle such new net settlement amounts.**
- 4:30 p.m.*** First deadline for dealer allocation of collateral to satisfy obligations, after which a late fee will be imposed
- 6:00 p.m.** Second deadline for dealer allocation of collateral to satisfy obligations, after which FICC shall process Collateral Allocation Obligations on a good faith basis only

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* Or one hour after the close of the securities FedWire, if later.