DTCC

Important Notice
Fixed Income Clearing Corporation - GOV

GOV #:	GOV404-18
Date:	April 25, 2018
To:	Government Securities Division Netting Members
Category:	Service Updates
Subject:	VaR Charge and Margin Proxy calculation

On March 30, 2017, the U.S. Securities and Exchange Commission approved rule filing SR-FICC 2017-011 and issued a notice of no objection to advance notice SR-FICC-2017-801. The filings require a minimum volatility calculation (referred to as the "Margin Proxy") when determining a Government Securities Division (GSD) Netting Member's VaR Charge. Pursuant to the VaR Charge calculation, FICC can apply a historical stressed period to the Margin Proxy calibration.

FICC regularly assesses its margin calculations. In light of ongoing market conditions, DTCC has concluded that it is necessary at this time to supplement our existing margin practices by applying a historical stressed period (June 2013 through September 2013) to the calibration of the Margin Proxy charge. This change, which will impact margin collections beginning May 1, 2018, is specifically for mortgage-backed securities that GSD clears through the GCF Repo® service. DTCC believes this step is necessary to mitigate GSD's exposure if volatility in the mortgage-backed securities market increases to levels that have often been experienced in the past.

If you have any questions or need further information about this Important Notice, please contact your Relationship Manager.