Important Notice

Fixed Income Clearing Corporation - GOV

GOV #:	GOV755-19
Date:	November 5, 2019
To:	Government Securities Division Netting Members
Category:	Service Updates
Subject:	VaR Floor Charge and Margin Proxy calculation

On September 11, 2019, the U.S. Securities and Exchange Commission approved rule filing SR-FICC 2019-003. The filing approves a rule change to allow FICC to adjust the MBSD VaR Floor to cover FICC's credit exposures to each Clearing Member fully with a high degree of confidence.

FICC regularly assesses its margin calculations and has concluded that it is necessary at this time to revise the VaR Floor Charge for mortgage-backed securities from 5 to 10 basis points of the market value of a Netting Member's gross unsettled positions. This change is specifically for scenarios in which the model-based volatility calculation (or Margin Proxy for GSD and MBSD, if used) results in an amount that is less than the VaR Floor.

In addition, pursuant to the changes described in Important Notice GOV664-19 dated May 28,2019, the look-back periods for (1) the alternative volatility calculation (Margin Proxy) of GSD and MBSD and (2) the two haircut rates that form the basis of the GSD haircut charge will be revised to a 10-year plus one additional stressed period. These changes will impact margin collections beginning November 18, 2019.

The full text of the Rule Filing may be obtained by visiting the DTCC website at http://www.dtcc.com/legal/sec-rule-filings.

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