

The Depository Trust & Clearing Corporation – DTCC GCF Repo Index

DTCC GCF Repo Index[®] is the first – and only – index that tracks the average daily interest rate paid on overnight transactions in the multi-billion dollar market for General Collateral Finance repurchase (GCF Repos[®]) agreements. Unlike other indices, the DTCC GCF Repo Index is calculated using fully executed and cleared transactions settled on a daily basis – not subjective rate estimates like other benchmarks use, including the London Interbank Bank Offering Rate (Libor). This makes the DTCC GCF Repo Index a more accurate reflection of funding costs and protected against manipulation.

The Depository Trust & Clearing Corporation (DTCC) created the DTCC GCF Repo Index in 2010 to improve transparency and liquidity in the U.S. funding markets. The index was developed in response to concerns by the Federal Reserve Bank's Treasury Markets Practice Group regarding the need for enhanced transparency. In 2012, the average daily trading volume in GCF Repos was close to \$400 billion.

TRACKING SHORT-TERM INTEREST RATES BY MEASURING COMPLETED REPO TRANSACTIONS

The DTCC GCF Repo Index tracks GCF Repo agreements for the three most heavily traded U.S. government securities: U.S. Treasury, federal agency and mortgage-backed securities, issued by Fannie Mae and Freddie Mac. These transactions are netted each day and settled as part of the clearing process for all U.S. government securities trades. The index is comprised of the **weighted average of the interest rates paid each day** on overnight transactions involving these GCF Repo agreements. The published rates are an aggregate representation of a critical part of the Repo market.

BENEFITS OF PUBLISHING DAILY RATES:

- Providing DTCC GCF Repo Index rates on a daily basis assists dealers and investors in **managing their portfolios** and calculating the potential cost of securities held in their inventory.
- It enables institutional investors and corporations to **estimate short-term funding costs** more accurately.
- As the index is provided daily, it is a **more transparent rate than one representing broader tri-party repo transactions** in which a third party (the triparty agent) participates in the transaction along with the cash borrower and the cash lender or investor.

BASED ON ACTUAL TRANSACTIONS, NOT ESTIMATED COSTS AND GUARDS AGAINST MANIPULATION

The DTCC GCF Repo Index is **based on actual rates paid for repo agreements** processed by DTCC subsidiary, Fixed Income Clearing Corporation (FICC). As a result, it is a **more accurate reflection of funding costs than Libor** and other benchmarks which are based on estimated costs. This key difference guards against manipulation of the index and

WHAT IS A "REPO" AGREEMENT?

Repos are a form of secured funding that involves the sale of a security along with an agreement that the seller will repurchase the same security. Typically, the terms of the sale and the subsequent repurchase of these Repos are agreed to on the same day.

provides greater transparency and enhanced risk mitigation. DTCC employs various controls to reduce the possibility of index manipulation, including performing checks on each transaction to compare the rate of the current day's trade versus the previous day's published index rate.

BRINGING GREATER TRANSPARENCY TO GLOBAL FINANCIAL MARKETS

The DTCC GCF Repo Index is posted daily and can be downloaded from DTCC's website, <http://dtcc.com/products/fi/gcfindex/>. The index data is published daily in Wall Street Journal's "Money Rates" tables and on Bloomberg's GCFR page. DTCC recently released historical data from January 2005 through November 2012. This back-dated data is available on DTCC's website and provides historical analysis of activity in the GCF Repo markets.

DERIVATIVES LINKED TO THE INDEX

The DTCC GCF Repo Index gained significant traction in 2012 with the launch of futures contracts on NYSE Liffe U.S., the U.S. futures exchange of NYSE Euronext. A burgeoning swaps market is also developing as firms look to adopt the index as a benchmark reference for interest rate swap instruments. Derivatives linked to the index help traders hedge their interest-rate risk and other potential costs.

NEUTRAL MARKET PARTICIPANT

DTCC is a user-owned, industry-governed cooperative that serves as a neutral market participant. As DTCC's FICC subsidiary is not a participant in the funding market, it has no direct interest in the levels being produced. As the central counterparty (CCP) for the GCF Repo market, it uses the same controls that are in place to cover trade validation for inclusion in the index.

ABOUT DTCC

DTCC has operating facilities and data centers around the world and, through its subsidiaries, automates, centralizes, and standardizes the post-trade processing of financial transactions for thousands of institutions worldwide. With 40 years of experience, DTCC is the premier post-trade market infrastructure for the global financial services industry, simplifying the complexities of clearance, settlement, asset servicing, global data management and information services for equities, corporate and municipal bonds, government

and mortgage-backed securities, derivatives, money market instruments, syndicated loans, mutual funds, alternative investment products, and insurance transactions. In 2012, DTCC's subsidiaries processed securities transactions valued at approximately US\$1.6 quadrillion. Its depository provides custody and asset servicing for securities issues from 131 countries and territories valued at US\$37.2 trillion. DTCC's global trade repositories record more than US\$500 trillion in gross notional value of transactions made worldwide.

Contact Information

Ali Wolpert, U.S. Government Relations, awolpert@dtcc.com

Murray Pozmanter, Managing Director, General Manager, Clearing Services, mpozmanter@dtcc.com

Gary Chan, Managing Director, Head of Fixed Income Clearing Corporation, gchan@dtcc.com

INTRODUCTION TO DTCC PRODUCTS AND SERVICES

