

The DTCC logo is displayed in a large, bold, white sans-serif font. It is positioned on the left side of a dark grey rectangular banner that features a repeating geometric pattern of small, light grey triangles.

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# **FICC: ANNUAL CCLF TEST INFORMATIONAL GUIDE**

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## CAPPED CONTINGENCY LIQUIDITY FACILITY TEST

Capped Contingency Liquidity Facility (“CCLF®”) is an integral part of the Fixed Income Clearing Corporation’s (“FICC”) role as central counterparty under the Government Securities Division (“GSD”) and the Mortgage-Backed Securities Division’s (“MBSD”). On an annual basis, FICC conducts a mandatory CCLF test with all GSD Netting Members and MBSD Clearing Members in order to satisfy the requirements of a covered clearing agency with respect to its management of the liquidity risk. The main objectives of the test are:

1. Increase Members’ awareness of the potential capital commitment should a CCLF Event be declared;
2. Assess each Member’s understanding of a CCLF Event from an operational perspective; and
3. Test Members operations capacity to process Redistribution Repos.

The annual CCLF test is conducted in 2 parts:

1. Part 1 of the CCLF test will involve Members informing FICC which securities they have available for delivery on the day of a test. **All GSD Netting Members and all MBSD Clearing Members are required to participate in part 1 of the CCLF test.**
2. Part 2 of the CCLF test will involve executing and settling an overnight CCLF Redistribution Repo between FICC and a Netting Member/Clearing Member. All GSD Netting Members and all MBSD Clearing Members are required to participate with the exclusion of the below:
  - a. Members who participate in the uncommitted MRA exercise
  - b. MBSD Clearing Members that are ineligible for or have not established borrowing privileges at the Federal Reserve Discount Window and do not have an affiliate that is eligible for or has established borrowing privileges at the Federal Reserve Discount Window.

If a Member has both a GSD and MBSD account (“Common Members”), only the GSD account will have to test. In addition, if a Member has multiple GSD and/or MBSD accounts, FICC will inform which account will be required to test.

Please read further below for more details about Part 1 and Part 2 of the Annual CCLF test.

### Part 1 – CCLF Obligations

#### GSD Netting Members

GSD will select a hypothetical Defaulting Member and at the close of the business day on a pre-determined date, GSD will simulate a CCLF Event by identifying the non-defaulting GSD Netting Members that are obligated to deliver securities destined to a hypothetical Defaulting Member.

All GSD Netting Members will have access to CCLF Obligations screen, which is available in **Production** DVP RTTM® Web under Trade Management > CCLF > Test Event > Obligations View or under Trade Management > CCLF > Test Event > Obligations Actions:

Items	Par	Dollars	TEST ACCT
4	200,000,000	204,533,825.83	
4	200,000,000	204,533,825.83	
0	0	0.00	
0,000			100,505,583.47
0	0	0.00	
0	0	0.00	

The “Obligations View” menu item allows users view only access to the CCLF Obligations screen. The “Obligations Actions” menu item allows users to access CCLF Obligations screen and make selections with respect to the obligations they have available to deliver.

For each GSD Netting Member, CCLF Obligations screens will display:

- Deliver Obligations that are destined for the hypothetical Defaulting Member for the settlement date of the CCLF test date or
- No Deliver Obligations.

GSD Netting Members will also have access to the “CCLF Activity Report” which will display the same information as shown on the CCLF Obligations screen.

### *GSD Netting Members with Hypothetical Deliver Obligations*

GSD Netting Members that have Deliver Obligations on the CCLF Obligations screen (such GSD Netting Members are referred to in the GSD Rules, as Direct Affected Members) will be expected to review, mark and submit as “available to deliver” those Deliver Obligations that would be available for delivery to GSD. The selection and submission can only be done from the “Obligations Actions” screen. Note, that the submission can be done multiple times until 1:00 pm (E.T.).

The cut-off time for the submission is 1:00 pm (E.T.) on the CCLF test date.

Those obligations which were marked and submitted as “available to deliver” will be used to determine the purchase price of the GSD Netting Member’s hypothetical CCLF Transactions.

Once a Direct Affected Member submits its marked selection of “available to deliver” Deliver Obligations,<sup>1</sup> GSD will send a confirmation reflecting the marked Deliver Obligations as well as the interest rate and haircut applicable to the CCLF Transactions. This confirmation will be displayed on the CCLF Obligation screen and on the CCLF Obligations Report.

**Please note that the CCLF test will not impact production data and GSD Netting Members should continue to settle all of their actual receive and deliver obligations for the settlement date of the CCLF test, as they would in the normal course of business.**

<sup>1</sup> As noted in the paragraph above, this submission should be done from the “Obligations Actions” screen under the CCLF > Test Event menu.

### *GSD Netting Members without Hypothetical Deliver Obligations*

GSD Netting Members that do not have Deliver Obligations reflected on their CCLF Obligations screen will be required to submit blank selections.

In advance of the CCLF test date, all GSD Netting Members should verify their access to the CCLF Obligations screen. The learning guide demonstrating how to access and navigate through the CCLF Obligations screen, “DVP RTTM Web CCLF Obligations Screen Guide”, is available for download on the [DTCC Learning Center](#).

### **MBSD Clearing Members**

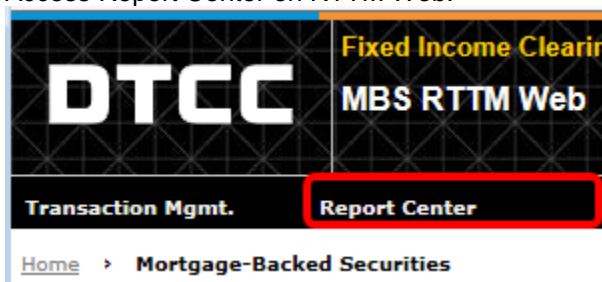
For MBSD Clearing Members, part one of the test consists of the below:

- On the opening of business on the declared test date, all Clearing Members will receive a test “CCLF® Activity Report” (via the Liquidity folder in Report Center) reflecting all delivery pool obligations that such Member has versus MBSD which in turn are bound to the defaulting member (please note that the Report Center date for this report will be the Saturday prior to the test date. For example, if the test date is Monday, August 26, 2019, the report will be posted on Saturday, August 24, 2019). Instructions for accessing the report is further below.
- As part of this test, MBSD will select a Clearing Member who will serve as the defaulting member but will not disclose the identity of such Member.
- Upon receipt of the test “CCLF® Activity Report”, Clearing Members will identify the pools that they have available to deliver to FICC based on pool positions as of the start of day and return the completed test “CCLF® Activity Report” as an attachment to MBS Operations ([MBSallocations@dtcc.com](mailto:MBSallocations@dtcc.com)) by 1:00p.m. (E.T.) on the date of test. Screenshots will **not** be accepted.
- It is important to note that responses from all Clearing Members will be required for this test.

**Please note that the CCLF test will not impact production data and Clearing Members should continue to settle all their actual receive and deliver obligations that have a delivery date the same as the CCLF test date, as they would in the normal course of business.**

### **Obtaining the MBSD CCLF Test Report on Report Center**

1. Access Report Center on RTTM Web:



2. Access the “MBS Liquidity” Folder:



3. Change the date to the Saturday prior to the CCLF test and click “Retrieve”:



## Part 2 – CCLF Redistribution Repo

Part 2 of the CCLF test will involve executing and settling an overnight CCLF Redistribution Repo between FICC and a Netting Member/Clearing Member. Please note the below details for part 2 of the CCLF test:

- Trades will not be booked in the Real-Time Trade Matching (RTTM®) system.
- FICC will email a spreadsheet outlining the details of a CCLF Redistribution Repo.
- FICC will utilize U.S. Treasury Bills for GSD Netting Members and MBSD Clearing Members.

- On the day of the test, FICC will deliver the U.S. Treasury Bills vs. payment to GSD Netting Members and MBSD Clearing Members.
- On the day after the test, Members will return the same U.S. Treasury Bills vs. payment with interest back to FICC.

**GSD/MBSD delivery instructions to Members for Part 2 of the CCLF test**

The deliveries of the start legs of the Redistribution Repos to Members will be made out of the following accounts:

- BK OF NYC/GSDCL for GSD Members
- BK OF NYC/MBSDCL for MBSD Members

The return of the off legs of the Redistribution Repos must be made to the same accounts as above.

***Note: These instructions are different from the clearance and settlement instructions used for the production settlement obligations.***

GSD Netting Members and MBSD Clearing Members are required to provide their Relationship Manager with at least two (2) contacts that FICC may contact to discuss any issue that relates to the CCLF test. All Members must confirm these contacts as well as ensure they have the proper access to RTTM and Report Center. Please contact your Relationship Manager if there are any changes to those contacts.