

The Depository Trust & Clearing Corporation

EXTENDING REPO CLEARING CAPABILITIES TO THE INSTITUTIONAL MARKET

Fixed Income Clearing Corporation (FICC), a wholly-owned subsidiary of DTCC, is the leading provider of trade comparison, netting and settlement for the U.S. Government securities marketplace. FICC's Government Securities Division (GSD) was established in 1986 to provide automated comparison and settlement services, risk management benefits and operational efficiencies to the Government securities industry. GSD clients include the nation's major brokers and dealers, as well as a wide range of entities that trade U.S. Government securities.

Through an innovative suite of new and expanded service offerings, FICC is leveraging its battle-tested infrastructure and proven technology to expand the availability of central clearing to the bilateral repo market.

CENTRALLY CLEARED INSTITUTIONAL TRIPARTY (CCIT™) SERVICE

FICC is the only central counterparty (CCP) platform in the U.S. that clears tri-party repo and debt transactions. Since 1998, FICC's GCF Repo® Service has enabled its dealer members to trade FICC-cleared general collateral repos with each other based on rate, term and underlying product through the day without requiring intra-day, trade-for-trade settlement on a Delivery-versus-Payment (DVP) basis.

As an expansion of the GCF Repo® Service, the CCIT Service extends FICC's CCP services and guarantee of completion of eligible trades to tri-party repo transactions between GSD dealer members and eligible tri-party money lenders.

- **Trade Submission and Matching.** For trade matching purposes, GSD accounts for tri-party money lenders may be opened at the legal entity level or at the joint account level. Investment advisers, agent lenders or other authorized agents may submit trades to FICC on behalf of their tri-party money lender clients.
- **Tri-Party Account Requirements.** Each tri-party money lender or joint account (as applicable) will also be required to open a specific tri-party account for the CCIT Service at the applicable tri-party bank.

SPONSORED DVP SERVICE

The Sponsored DVP Service allows eligible GSD Members to sponsor their clients into GSD membership. Sponsored membership offers eligible clients the ability to lend and borrow cash via FICC-cleared DVP repo throughout the day. Sponsoring Members facilitate their sponsored clients' GSD trading activity and act as processing agents on their behalf for all operational functions, including trade submission and settlement with the CCP. Sponsoring Members also cover the costs of clearing on behalf of their sponsored member clients' and guaranty those clients' performance to the CCP.

- **Sponsored Member Eligibility.** Qualified Institutional Buyer clients of Sponsoring Members are permitted to have their eligible DVP activity novated to FICC.
- **Sponsoring Member Eligibility.** Subject to regulatory approval, GSD full service Members will be eligible to apply to become Sponsoring Members. Sponsoring Member eligibility is currently limited to GSD Members that are U.S. banks and US bank branches.

BENEFITS OF REPO CLEARING AT FICC

1. Reduction of counterparty risk by guaranteeing the completion of settlement in a member default scenario:
 - CCP guarantee may mitigate risk of a large scale exit by institutional investors in a stress scenario, reducing the risk of "fire sales" that drive down asset prices and spread stress across the financial system.
2. Members could be eligible for balance sheet and capital relief. Centrally clearing these transactions at FICC could alleviate the constraints on borrowers as it may enable them to:
 - Reduce capital usage via netting, potentially enabling the redeployment of scarce capital to other uses
 - Apply lower risk weights in their risk-based capital ratios
3. Lending through FICC offers institutional investors potential growth of their on-loan balances and income as borrowers shift their demand to CCP channels



FOR MORE INFORMATION

If you would like further information regarding FICC's CCIT or Sponsored DVP Repo services, please contact Client Support at **1-212-855-7600**, or by email at **rmsupport@dtcc.com**.

Or visit us on the web at **www.dtcc.com**

ABOUT DTCC

With 45 years of experience, DTCC is the premier post-trade market infrastructure for the global financial services industry. From operating facilities, data centers and offices in 16 countries, DTCC, through its subsidiaries, automates, centralizes and standardizes the processing of financial transactions, mitigating risk, increasing transparency and driving efficiency for thousands of broker/dealers, custodian banks and asset managers. Industry owned and governed, the firm simplifies the complexities of clearing, settlement, asset servicing, data management and information services across asset classes, bringing increased security and soundness to financial markets. In 2017, DTCC's subsidiaries processed securities transactions valued at more than U.S. \$1.61 quadrillion. Its depository provides custody and asset servicing for securities issues from 131 countries and territories valued at U.S. \$57.4 trillion. DTCC's Global Trade Repository service maintains approximately 40 million open OTC positions per week and processes over one billion messages per month through its group of licensed trade repositories. To learn more, please visit us at www.dtcc.com or connect with us on LinkedIn, Twitter, YouTube and Facebook.