



**FIXED INCOME CLEARING CORPORATION
GOVERNMENT SECURITIES DIVISION**

**GCF COLLATERAL ELIGIBILITY
AND
GCF COLLATERAL TYPES**

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BACKGROUND

GCF Repo[®] is a service offered by the Government Securities Division (GSD) of the Fixed Income Clearing Corporation (FICC). The GCF Repo Service enables Members to trade in general collateral repurchase agreements, or “Repos,” based on rate, term and underlying product, throughout the day without requiring intra-day, trade-for-trade settlement on a delivery- versus-payment (DVP) basis. Net settlement occurs at the end of the day for all transactions, creating a highly liquid market.

THIS DOCUMENT IS INTENDED TO PROVIDE INFORMATION REGARDING COLLATERAL ELIGIBILITY FOR THE GCF REPO SERVICE. THE RULES NOTED BELOW SHOULD BE READ IN CONTEXT OF THE ENTIRE GOVERNMENT SECURITIES DIVISION RULEBOOK (“GSD RULES”), WHICH IS AVAILABLE [HERE](#).

EXCERPT OF THE APPLICABLE GSD RULES

RULE 1 – DEFINITIONS

Comparable Securities

The term “Comparable Securities” means, with respect to a security or securities that are represented by a particular Generic CUSIP Number, any other security or securities that are represented by the same Generic CUSIP Number.

Other Acceptable Securities

The term “Other Acceptable Securities” means, with respect to:

(an) adjustable-rate mortgage-backed security or securities issued by Ginnie Mae, any fixed-rate mortgage-backed security or securities issued by Ginnie Mae, or (an) adjustable-rate mortgage-backed security or securities issued by either Fannie Mae or Freddie Mac: (a) any fixed-rate mortgage-backed security or securities issued by Fannie Mae and Freddie Mac, (b) any fixed-rate mortgage-backed security or securities issued by Ginnie Mae, or (c) any adjustable-rate mortgage-backed security or securities issued by Ginnie Mae.

RULE 20 – SPECIAL PROVISIONS FOR GCF REPO TRANSACTIONS

SECTION 3 – COLLATERAL ALLOCATION AND CASH OBLIGATIONS ASSOCIATED WITH COLLATERAL ALLOCATION ENTITLEMENTS

On each Business Day, the Corporation shall establish collateral allocation requirements for each of a Netting Member's GCF Net Funds Borrower Positions and GCF Net Funds Lender Positions such that: (a) for every GCF Net Funds Borrower Position, the Netting Member shall have a Collateral Allocation Obligation equal to such Position, and (b) for every GCF Net Funds Lender Position, the Netting Member shall have a Collateral Allocation Entitlement equal to such Position. Every Collateral Allocation Entitlement and Collateral Allocation Obligation that is established by the Corporation on a particular Business Day shall be netted on the next Business Day with such day's Collateral Allocation Entitlement and/or Collateral Allocation Obligation, within a timeframe for such established by the Corporation (referred to as net-of-net settlement). Collateral Allocation Obligations and cash obligations associated with Collateral Allocation Entitlements must be satisfied by a Netting Member within the timeframes established for such by the Corporation in the Schedule of GCF Repo Timeframes.

If a Netting Member does not satisfy its consequent Collateral Allocation Obligation by the applicable deadline for such allocation as set forth in the Schedule of GCF Repo Timeframes such Netting Member shall be subject to a late fee. In addition, the Corporation shall process Collateral Allocation Obligations that are

submitted after the applicable deadline on a good faith basis only. If the Netting Member does not satisfy its consequent Collateral Allocation Obligation, such Netting Member shall be deemed to have failed on such Position, the consequence of which shall be that the Member shall not be entitled to receive the funds borrowed but shall owe interest on such funds amount. If a Net Funds Payor does not satisfy its cash obligations by the applicable deadline set forth in the Schedule of GCF Repo Timeframes, such Net Funds Payor shall be subject to a late fee. If the Net Funds Payor does not satisfy its cash obligation by the close of the Fedwire Funds Service, it shall be subject to an additional late fee and shall be required to satisfy any outstanding cash obligation promptly upon the opening of the Fedwire Funds Service the next Business Day. Failure to do so may result in disciplinary action, including termination of membership.

A Netting Member that has, on a particular Business Day, a Collateral Allocation Obligation, may satisfy such Obligation by posting with the Corporation, pursuant to these Rules: (i) Comparable Securities, (ii) Other Acceptable Securities, (iii) U.S. Treasury bills, notes, or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, such Obligations must be satisfied with the posting of Comparable Securities and/or cash only), and/or (iv) cash.

If on any Business Day, at the time set forth in the Schedule of GCF Repo Timeframes, a Netting Member's Collateral Allocation Obligation from the previous Business Day is greater than the value of the securities and cash delivered by such Netting Member to satisfy such Collateral Allocation Obligation, then such Netting Member shall deliver to the Corporation additional (i) Comparable Securities, (ii) Other Acceptable Securities, (iii) U.S. Treasury bills, notes or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, such Collateral Allocation Obligations must be satisfied with the posting of Comparable Securities and/or cash only) and/or (iv) cash such that the total value of the securities and cash delivered by such Netting Member to satisfy such Collateral Allocation Obligation is greater than or equal to such Collateral Allocation Obligation. Such additional securities and/or cash must be delivered to the Corporation within the timeframe set forth in the Schedule of GCF Repo Timeframes.

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A Netting Member that had a Collateral Allocation Entitlement may not withdraw the securities or cash collateral that it receives from its account at the GCF Clearing Agent Bank and shall have the obligation to settle the new net settlement amount on the next Business Day and the right to receive back from the Corporation the net funds amount that it paid on the previous Business Day. The Corporation shall charge such Netting Member for any actual damages directly suffered by the other Netting Member as a result of not receiving back the same securities and shall remit any amounts received to the other Netting Member. Such damages must be sufficiently demonstrated to the satisfaction of the Corporation and may not include special, consequential or punitive damages. A Netting Member that had a Collateral Allocation Obligation shall have the obligation to settle the new settlement amount on the next Business Day and the right to receive back from the Corporation the net securities or cash collateral that it posted on the previous Business Day. Notwithstanding the foregoing, if the Netting Member is not able, due to reasons beyond its control and despite exercising best efforts, to return any collateral due back to the Corporation, the Netting Member may return: (i) Comparable Securities, (ii) Other Acceptable Securities, (iii) U.S. Treasury bills, notes, or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, such Obligations must be satisfied with the posting of Comparable Securities and/or cash only), and/or (iv) cash.

Notwithstanding the paragraphs immediately above in this Section 3 of Rule 20, Treasury floating rate notes may not be used to satisfy Collateral Allocation Obligations or substitutions with respect to Treasury Inflation-Protected Securities, Separate Trading of Registered Interest and Principal Securities, or fixed-rate mortgage-backed securities issued by Fannie Mae, Freddie Mac or Ginnie Mae.

Notwithstanding anything to the contrary in these Rules, on any particular Business Day, the Corporation, in its sole discretion, may increase the amount of a Netting Member's Collateral Allocation Obligation by as much as ten percent of such Obligation.

For purposes of this Rule 20, the reference to “U.S. Treasury bills, notes or bonds” shall not include Treasury floating rate notes, Treasury Inflation-Protected Securities or Separate Trading of Registered Interest and Principal Securities.

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SECTION 4 – RIGHT OF SUBSTITUTION

On any Business Day (within the timeframes established by the Corporation by notice to all Members), a Netting Member that posted with the Corporation securities in satisfaction of its Collateral Allocation Obligation on the previous Business Day may substitute for any securities so delivered on such day cash, or (i) Comparable Securities, (ii) Other Acceptable Securities, or (iii) U.S. Treasury bills, notes or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, substitution may be with Comparable Securities and/or cash). All requests for substitutions must be made by the substitution deadline established by the Corporation and announced to Members by Important Notice from time to time.

On any Business Day (within the timeframes established by the Corporation by notice to all Members), a Netting Member that posted with the Corporation cash in satisfaction of its Collateral Allocation Obligation on the previous Business Day may substitute for any securities so delivered on such day (i) U.S. Treasury bills, notes or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, substitution may be with Comparable Securities), (ii) Comparable Securities, or (iii) Other Acceptable Securities. All requests for substitutions must be made by the substitution deadline established by the Corporation and announced to Members by Important Notice from time to time.

GCF COLLATERAL TYPES

As described in the GSD Rules, the four categories listed below are eligible collateral:

1. Comparable Securities
2. Other Acceptable Securities
3. U.S. Treasury Bills, Notes, or Bonds
4. Cash

MINIMUM DENOMINATIONS

The minimum collateral denomination is 25,000.

NOT ELIGIBLE AS GCF COLLATERAL

The **GNSN – Ginnie Mae I Serial Notes** are not acceptable as collateral for the settlement of Member obligations with respect to Generic CUSIP 371487AQ2 (GNMA Fixed Rate) and Generic CUSIP 371487AR0 (GNMA Adjustable Rate).

OTHER

Generally, Agency REMICs or CMOs are **not** eligible to satisfy collateral obligations.

The below chart reflects the GCF Generic Security Types with eligible collateral.

Generic Security Type	GCF CUSIP Number	Description	Eligible Collateral// Comparable Collateral // Other Acceptable Securities	U.S Treasury Bills, Bonds, Notes and Cash
TU10	371487AD1	U.S. TREAS < 10 YR MATURITY	Bills, Bonds, Notes and UST Floating Rate Notes	Cash
TU30	371487AE9	U.S. TREAS < 30 YR MATURITY	Bills, Bonds, Notes and UST Floating Rate Notes	Cash
AGCY	371487AH2	NON-MORTGAGE BACKED U.S. AGENCY SECURITIES	Federal Farm Credit Banks Federal Home Loan Bank Federal Home Loan Mortgage Corporation Federal National Mortgage Association Federal Agency Discount Notes	Bills, Bonds and Notes Cash
FFFIX	371487AL3	FANNIE MAE & FREDDIE MAC FIXED RATE MORTGAGE BACKED SECURITIES	Fannie Mae and Freddie Mac Fixed Rate Mortgage Backed Securities Fixed rate mortgages utilizing the following "Fed" Tickers excluding CMO's: - MNMS, FNMS, FXMS, FGHF, FGPC, FEPC, FMPC, FKPC, and FRPC	Bills, Bonds and Notes Cash
GNMA	371487AQ2	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION FIXED RATE MBS	GNMA Fixed Rate mortgage- backed securities excluding CMO's	Bills, Bonds and Notes Cash

GCF COLLATERAL ELIGIBILITY AND COLLATERAL TYPES

Generic Security Type	GCF CUSIP Number	Description	Eligible Collateral // Comparable Collateral // Other Acceptable Securities	U.S Treasury Bills, Bonds, Notes and Cash
FFARM	371487AM1	FANNIE MAE & FREDDIE MAC ADJUSTABLE RATE MORTGAGE SECURITIES	MNAR, FNAR, FXAR, FGAR, FEAR, FMFA, FRAR, FKAR, and FMAR excluding CMO's Fannie Mae and Freddie Mac Fixed-Rate Mortgage Backed Securities - GNMA fixed-rate MBS - GNMA ADJ-rate MBS	Bills, Bonds and Notes Cash
GNARM	371487AR0	GNMA ADJUSTABLE RATE MORTGAGE BACKED SECURITIES	GNAR – GNMA II ARM MBS Ginnie Mae adjustable rate and Ginnie Mae fixed-rate MBS excluding CMO's	Bills, Bonds and Notes Cash
TIPS	371487AG4	U.S. TREASURY INFLATION PROTECTION SECURITIES	U.S. Treasury Inflation-Protected Securities	Bills, Bonds and Notes Cash
STRP	371487AF6	SEPARATE TRADING OF REGISTERED INTEREST AND PRINCIPAL SECURITIES	Separate Trading of Registered Interest and Principal Securities issued by the U.S. Department of Treasury	Bills, Bonds and Notes Cash