

The Depository Trust & Clearing Corporation

SPONSORED SERVICE

The Sponsored Service offers eligible clients the ability to lend cash or eligible collateral via FICC-cleared DVP repo throughout the day, a transformation of the repo marketplace. Eligible transactions include two-directional (i.e., cash borrowing and cash lending) overnight and term DVP repo in U.S. Treasury and Agency securities and outright purchases and sales of such securities.

OVERVIEW

Sponsored membership at the Government Securities Division (GSD) of FICC offers eligible clients the ability to engage in FICC-cleared cash lending and cash borrowing transactions in U.S. Treasury and Agency Securities and outright purchases and sales of such securities. 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.

Eligible securities types include:

- **US Treasury Bills, Bonds and Notes**
- **US Treasury Inflation Protected Securities (TIPS)**
- **US Treasury STRIPS**
- **Non Mortgage-Backed Agency Securities**
- **Floating Rate Notes (FRNs)**

As part of an important expansion, approved by the US Securities and Exchange Commission (SEC) in March 2019, FICC now permits all full service netting members of FICC/GSD (other than interdealer brokers (IDBs) acting in their capacity as brokers) to participate in the Sponsored Service as Sponsoring Members.

Sponsoring Members, at their discretion, have the ability to let their clients trade with counterparties other than themselves, providing sponsored members with the same execution flexibility they have in the bi-lateral market today.

BENEFITS

FICC has made it possible to bring a much larger percentage of the market into clearing, while still maintaining robust risk management standards:

The benefits include:

- Reduction of counterparty risk through CCP guarantee of the completion of settlement in a member default scenario
- Balance sheet and capital relief opportunities. Centrally clearing these transactions at FICC could alleviate constraints on Members by enabling them to reduce capital usage via netting and lower risk weights in their risk-based capital ratios
- Potential for growth of institutional investors' on-loan balances and income as borrowers shift their demand to CCP channels

HOW THE SERVICE WORKS

FICC's risk management of the arrangement occurs primarily at the Sponsoring Member level.

- All applications for Sponsoring Membership are decided on by FICC Management and the FICC Board of Directors.
- The Sponsoring Member is responsible to FICC for posting all of the Clearing Fund associated with the activity of the Sponsoring Member Omnibus Account, which is calculated twice daily on a gross basis (i.e., for Clearing Fund calculation purposes, each Sponsored Member's trading activity is VaR margined separately and the sum of those total VaR charges is collected and held by FICC separate from the Clearing Fund posted by the Sponsoring Member for its proprietary activity).
- While the Sponsored Members are principally liable to FICC for their securities and funds-only settlement obligations, the Sponsoring Member is required to provide a guaranty to FICC with respect to all obligations of its Sponsored Members, so that if a Sponsored Member does not satisfy any of its obligations to FICC, FICC can invoke the Sponsoring Member's guaranty.
- Liquidity needs created by activity in the Sponsoring Member Omnibus Account will be considered when calculating the Sponsoring Member's Capped Contingent Liquidity Facility (CCLF) requirement

SPONSORED MEMBER ELIGIBILITY

Any legal entity from an FICC-approved jurisdiction that satisfies the Qualified Institutional Buyer (QIB) standard and has at least one Sponsoring Member willing to sponsor it into FICC/GSD membership is eligible to participate in the service as a Sponsored Member.

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.