



FIXED INCOME CLEARING CORPORATION GOVERNMENT SECURITIES DIVISION

PRIME BROKER NETTING SERVICE

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OVERVIEW

The Government Securities Division (GSD) of the Fixed Income Clearing Corporation (FICC) provides all Dealer Netting Members who are also prime brokers the flexibility to have “comparison-only” or “comparison and netting” of government securities trades both by client and by product (i.e. cash vs. repo). Prime brokers can submit these trades to FICC to obtain the benefit of pre-settlement trade comparison. Prime brokers also have the option to either submit these trades in their proprietary netting account commingling their proprietary trading activity with that of the prime broker activity for netting benefits or segregate the activity by establishing a separate account. **Note:** Only netting-eligible trades will be included in GSD’s netting process.

Prime brokers can submit trades, either cash or repo to GSD’s Real-Time Trade Matching (RTTM®) Web application with 5-character symbols that indicate the client for which they are submitting on behalf of. Each prime broker must provide documentation to FICC GSD explicitly stating how each client should be set up for trade processing. Upon receiving such documentation, GSD will in turn, issue symbols for each client and set them up on the FICC database so that cash and repo trades will either be processed for comparison-only or comparison and netting. If a client is already in the system, a new symbol will not be issued but a new relationship between the client and the prime broker will be established in FICC’s database along with the specified trade processing set up provided by the prime broker for the client.

Read further along in this document for more information on symbol set ups, trade input (submission), trade matching, reporting and other processes for the Prime Broker Netting Service.

SYMBOL SET UP

Prime brokers will need to execute a new netting member agreement with a list of clients for whom they intend to submit trades. As part of this agreement, prime brokers will submit a table listing their clients and how each client’s symbol should be set up for cash and repo trades.

If a symbol for a particular client has already been established (for example, by another prime broker), FICC will use that same symbol. The combination of Member (prime broker) and symbol will be unique, allowing multiple prime brokers to have the same client, but each prime broker could have a different set up for how the trades are processed by GSD for that particular client. In this way, executing brokers will always know a particular client by the same symbol regardless of the prime broker on a given trade.

Once symbols are assigned and set up at FICC, it will be the prime broker’s responsibility to communicate symbols to clients, and in turn, to their executing brokers. Executing brokers should submit trades versus the prime brokers with the appropriate client symbols.

POPULATING TRADE INPUT MESSAGES

Symbol set up (and settlement logic) is driven by the prime broker for a given trade. Since the same dealers can act as both prime brokers and executing brokers, it is important that trade submissions indicate which trade submitter is acting as “prime broker” and which is acting as “executing broker”.

The prime broker will be designated by populating the submitter’s correspondent/executing broker field with a prime broker client symbol. If the prime broker submits as “buyer,” then it will populate the “buyer’s correspondent” field with the client symbol. The executing broker will submit as “seller,” leaving the “seller’s correspondent” field blank and populating the “buyer’s correspondent” field with the symbol. It is the setup of that symbol on the FICC database for that particular prime broker (to be comparison-only or netting eligible for cash or repo) that will drive how the trade is processed.

The prime broker’s correspondent field is expected to be populated with the 5-character alpha-numeric prime broker client symbol issued to that prime broker client by FICC. The contra-party’s (or executing broker’s) correspondent field is expected to be blank or populated with a 4-character symbol indicating on whose behalf the executing broker is clearing.

Example: Member ID 96YY wants to “net” all buy/sell trades for client HA001 and “compare-only” repo trades. As the prime broker for client HA001, 96YY will request FICC to establish these relationships on the FICC database ahead of any trade submission. Member ID 96YY will submit a form to FICC indicating how this client should be set up for buy/sells and repos. The symbol “HA001” is issued by FICC.

Member ID 96YY is the prime broker for client HA001 who buys US Treasury securities from Executing Broker 95XX. As Prime Broker, Member ID 96YY’s trade submission will indicate the following:

- The prime broker indicates its own Member ID, 96YY, in the buyer’s field.
- The buyer’s correspondent field (CORR) is populated with client symbol HA001.
- The seller’s field is populated with 95XX.
- The seller’s correspondent field is left BLANK or is populated with a 4-character symbol on whose behalf the seller is clearing.

	<u>Executing Broker 95XX submission</u>	<u>Prime Broker 96YY submission (PB)</u>
Submitter	95 R (SELL) 95XX	95 R (BUYR) 96YY
Submitter CORR	70E (SELL/CORR) []	70E (BUYR/CORR) HA001
Contra	95R (BUYR) 96YY	95 R (SELL) 95XX
Contra CORR	70E (BUYR/CORR) HA001	70E (SELL/CORR) []

TRADE MATCHING

Matching logic for these trades will be the same as it is for regular trades submitted to GSD. Today, GSD’s matching logic seeks to match trades based on the symbol, among other matching criteria as outlined in the GSD Rulebook. Note: If a prime broker client symbol is not supplied upon submission to FICC, then the trade will not be considered a prime broker trade. It will be treated as non-prime broker trade. If no matching symbol is found intra-day, the symbol is then ignored as a matching field. Prime broker client symbols will not be required for exact match. However, executing brokers will be encouraged to submit symbols so that these symbols appear on advisories to prime brokers. Also, if an executing broker submits a contra executing firm symbol, while the Prime Broker submits its trade with no symbol, the executing broker’s symbol may be applied to the Prime Broker’s trade upon comparison. This is why Prime brokers and executing brokers should always submit their trades with the appropriate client symbols.

FICC also developed an “exact-match” capability for the Prime Broker Netting Service. The exact-match functionality requires that all executing brokers submit with the correct client symbols. If some executing brokers cannot or will not submit with symbols, then the prime broker trades submitted with the client symbols will be used as the contra-executing firm symbol. Such trades will be matched through FICC’s enhanced matching (phased comparison) process either intraday or at end of day. Note: If the executing firm symbol is not provided to FICC at submission, then the trade would not be considered an executing broker trade. It will be treated as non-executing broker trade.

GSD’s end-of-day enhanced matching logic has remained the same. Prime broker Members, however, can request contra-flip to be turned off, a process in which trades can be automatically flipped among a single Member’s linked accounts to facilitate matching.

REPORTNG

Prime broker Members that choose to establish a segregated GSD Membership for their prime broker activity will receive the information for this account on their DVP activity reports. Prime brokers that choose to commingle their prime broker activity with their regular netting account will have, in addition to their current DVP activity reports, another set of reports that displays data on just their prime broker trades.

TESTING

Prior to using the service, all new prime brokers need to test their ability to submit a 5-character symbol to FICC. Please contact your FICC Relationship Manager for questions about testing. To schedule testing, please contact the [FICC Integration](#) team.

FEES

All current transaction processing, position management, clearance, passthrough and other fees will apply. There are no additional fees for this service.

For more information, please contact your FICC Relationship Manager.