

**DTCC**

# CME-FICC CROSS MARGINING



2026

Fixed Income Clearing Corporation

**DTCC**



# **PROGRAM OVERVIEW**

# BACKGROUND

- ❑ CME Group (CME) and the DTCC-Fixed Income Clearing Corporation (FICC) have had a longstanding arrangement for over 20 years to provide cross-margin benefits to clearing members that trade and clear transactions in both U.S. Treasury securities and CME Group interest rate futures
- ❑ The House or Proprietary Cross-Margining Arrangement provides for cross-margining benefits for joint clearing members at FICC and CME (acting for themselves or for certain non-customer affiliates), and for pairs of affiliated clearing members.
- ❑ CME and FICC have expanded this program to customers under a Customer Cross-Margining Arrangement. It provides for eligible clients at CME Group and the Government Securities Division (GSD) at FICC the ability to access capital efficiencies. To participate in customer cross margining, clients will need to leverage the same dually registered Futures Commission Merchant (FCM) and broker/dealer (as registered with the SEC) at both Central Counterparty Clearing (CCP) houses.

# SERVICE ELIGIBILITY AND ELIGIBLE PRODUCTS

- ❑ Clearing members will need to establish a separate Indirect Participants Account (a “Cross-Margining Customer Account”) at FICC specifically for participation in the Customer Cross-Margining Arrangement. This account can be established under either the Sponsored Member Program or the Agent Clearing Service.
- ❑ Customers wishing to participate in the Customer Cross-Margining Arrangement need to enter into an agreement (“Customer Agreement”) with their Eligible Broker Dealer-Futures Commission Merchant (“BD-FCM”). The Customer Agreement must contain certain terms prescribed by FICC and CME. BD-FCMs and customers may also wish to include additional terms governing the clearing relationship in the Customer Agreement.
- ❑ FICC collects the initial margin (the “Cross-Margining Customer Margin”) that FICC calculates with respect to securities positions cleared at FICC under the Customer Cross-Margining Arrangement.
- ❑ Cross-Margining Customer Accounts may only be used to hold those products that are eligible for the Customer Cross-Margining Arrangement. A BD-FCM must ensure that only positions that are eligible for cross-margining are booked into the Cross-Margining Customer Account.

FICC Cross-Margining Eligible Products	CME Cross-Margining Eligible Products	
Transactions in U.S. Treasury Notes and Bonds, including When Issued Securities, with remaining maturities greater than 1 year	CBT 26 CBT 3YR CBT 25 CBT 21 CBT 17 CBT TN CBT UBE CBT TWE	2-year T-Note Futures 3-year T-Note Futures 5-Year T-Note Futures 10-Year T-Note Futures U.S. Treasury Bond Futures Ultra Ten-Year T-Note Futures Ultra U.S. Treasury Bond Futures 20-Year U.S. Treasury Bond Futures
<b>FICC Ineligible Products:</b> TIPS, STRIPS, Agency Securities, Mortgage-Backed Securities		

# HOUSE CROSS MARGINING

## Key Attributes

### > Risk Model:

- Independent margin calculations at respective CCPs with a “do no harm” check performed, and the most conservative savings estimate used to determine margin requirement
- Both CCPs will provide margin efficiencies at both end-of-day and intra-day collection cycles

### The optimization process differs at each CCP:

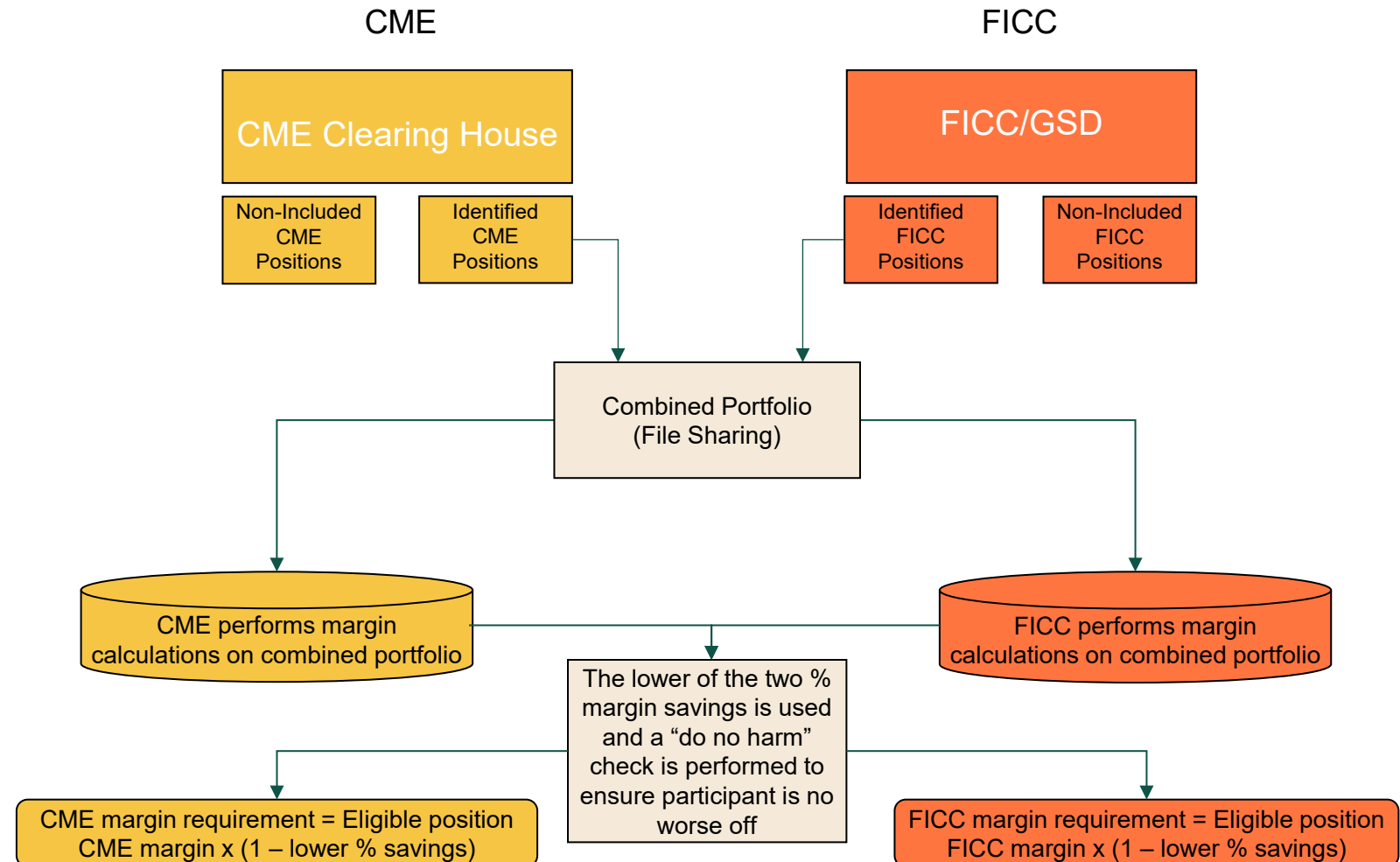
#### > CME:

- Active management for eligible positions
- CME Core & Optimization tools are being enhanced to support hypothetical portfolios and to incorporate XM

#### > FICC:

- Passive management for eligible positions
- FICC offers: 1) automatic allocation of the eligible positions based on the excess DV01, or 2) allocation of all eligible positions into cross-margin account for a potential offset with eligible CME interest rate futures
- FICC Calculator available for scenario testing

## Process Flow



# CUSTOMER CROSS MARGINING

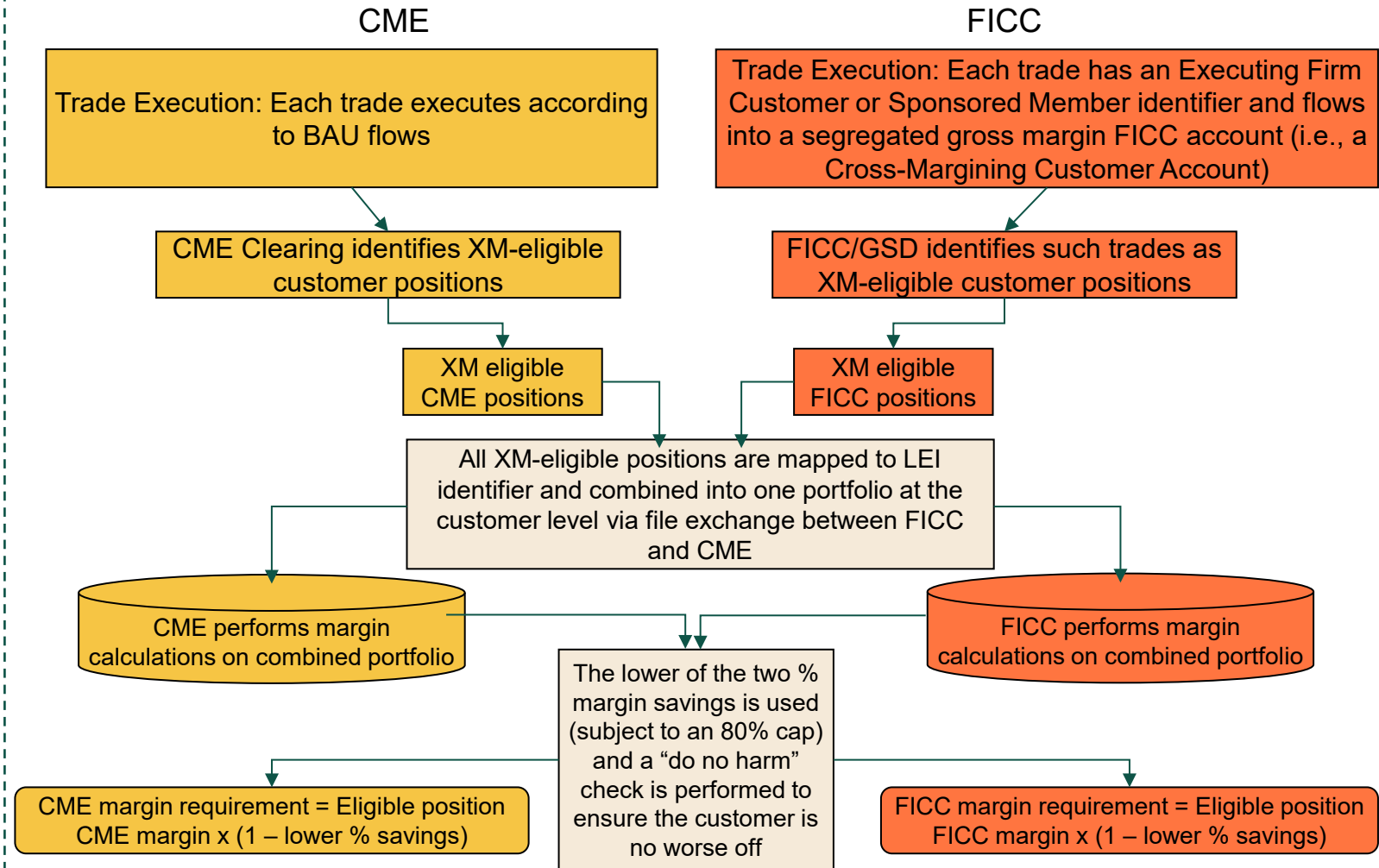
## Key Attributes

- **Risk Model:**
  - Similar risk model to the existing program, independent margin calculations with a “do no harm” check performed, and the most conservative savings estimate used to determine margin requirement
  - Both CCPs will provide margin efficiencies at both end-of-day and intra-day collection cycles
  - Margin efficiencies will be calculated at the customer level (i.e., margin requirements will be calculated with respect to a combined portfolio of a particular customer’s cross-margined positions at FICC and CME cleared by the same BD-FCM)
- **Unique Identifiers:** Both CCPs will utilize Legal Entity Identifiers (LEIs) to match common customers at their respective CME and FICC Clearing Members

### The optimization process differs at each CCP:

- **CME:**
  - Active management for eligible positions, CME will allow customer cross-margin accounts to designate futures available for offset in the cross-margin program throughout the day
  - CME Core & Optimization tools are being enhanced to support hypothetical portfolios and to incorporate XM
- **FICC:**
  - Passive management for eligible positions
  - All positions in a Cross-Margining Customer Account will be eligible for a potential offset with eligible CME interest rate futures
  - FICC Calculator available for scenario testing

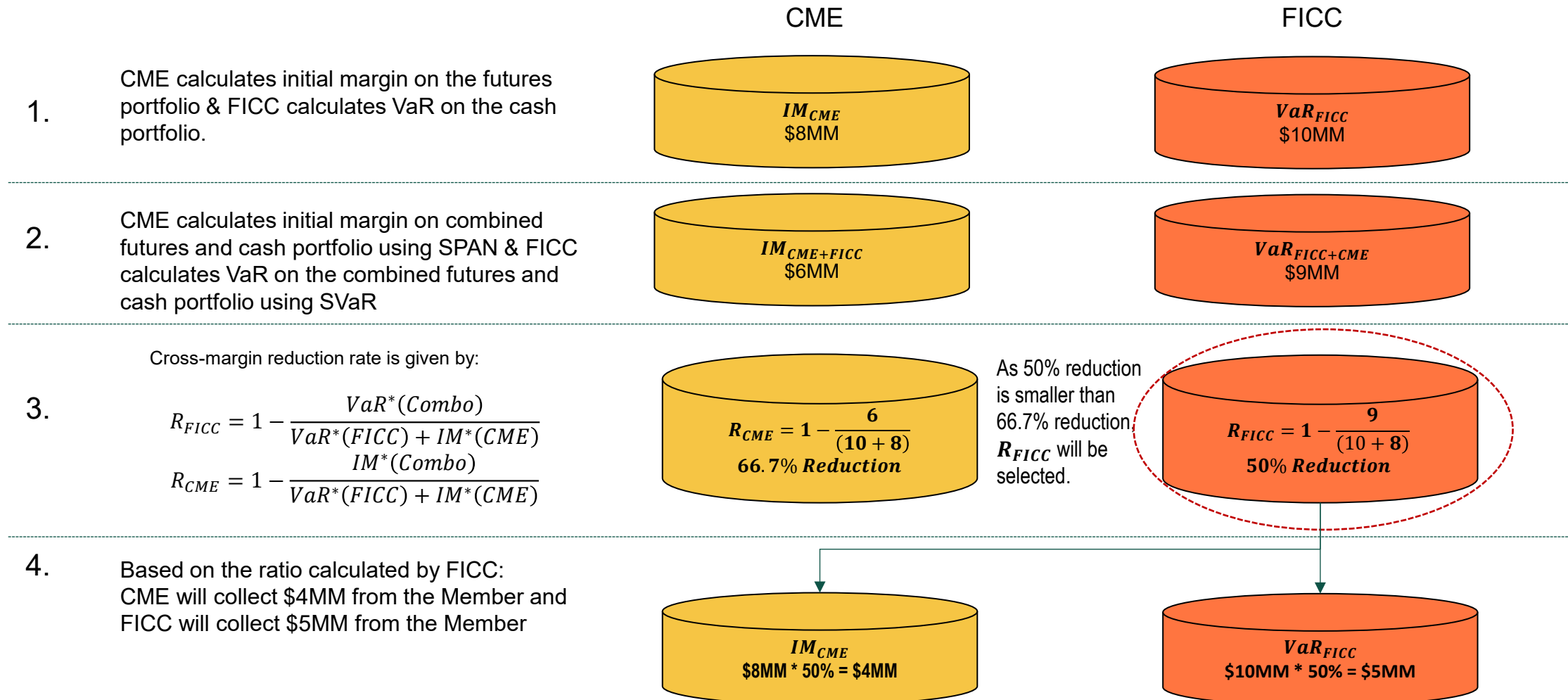
## Process Flow



# CROSS MARGIN EXAMPLE

## Process Flow

FICC and CME independently assess the Cross-Margin benefit on a combined portfolio and apply the smaller margin reduction of the two (subject to an 80% cap).



# POTENTIAL CROSS-MARGINING SAVINGS

As illustrated in the below table, potential savings for offsetting risk exposures can be substantial, especially for customers like hedge funds who are active in treasury basis trading or market-making firms like primary dealers who often use futures to hedge the duration and yield curve exposure of their on-balance-sheet cash treasury positions.

Example: Matched pairs - US Treasury basis positions<sup>1</sup>

	CME Group Treasury Futures		FICC Treasury Securities		Savings w/ Cross-Margining	
	Position	Margin	Position	Margin	\$	%
<b>Portfolio 1:</b>	1,000 2yr Contracts	\$1,200,000	(\$206,000,000) in 2yr Treasury Notes	\$1,200,000	\$1,920,000	~80%
<b>Portfolio 2:</b>	2,000 5yr Contracts	\$2,600,000	(\$212,000,000) in 5yr Treasury Notes	\$2,800,000	\$4,320,000	~80%
<b>Portfolio 3:</b>	2,000 10yr Contracts	\$4,000,000	(\$222,000,000) in 10yr Treasury Notes	\$4,300,000	\$6,640,000	~80%
<b>Portfolio 4:</b>	2,000 30yr Contracts	\$7,400,000	(\$238,000,000) in 30yr Treasury Bonds	\$7,600,000	\$12,000,000	~80%

# RISK TOOLS AND REPORTING

- ❑ The **GSD Cross Margin Summary** and **GSD Cross Margin Detail reports** help to provide more insight into the steps taken to achieve the final margin requirement calculation.
  - ❑ The reports are available at both the Portfolio Level for Netting Members and the customer Level on a 15-minute basis from Start-of-Day (“SOD”) to End-of-Day (“EOD”) for Cross-Margining eligible members. Data is displayed based on the user-selected time and date/range.
- ❑ The **GSD CME Cross Margin Summary API** provides a consolidated view of margin requirements and savings achieved through cross-margining between GSD and CME portfolios.
  - ❑ This API supports risk management by highlighting margin efficiencies for both house and customer accounts, including the availability of historical data.
- ❑ **Cross Margining Public Calculator**
  - ❑ The Cross Margining Public Calculator is a tool used to calculate the potential Cross Margining benefits users may receive based on a simulated portfolio containing both cash treasury positions and treasury futures positions.
  - ❑ The Public Calculator is available at : <https://riskcalc.dtcc.com>

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# **FOS FOR CROSS-MARGINED CUSTOMER ACCOUNTS**



# FICC'S FUNDS-ONLY SETTLEMENT

- Funds-Only Settlement (FOS) provides a standardized, automated method for settling funds-only payments twice daily between FICC and the GSD Netting Members' Funds-Only Settling Banks.
  - Each Netting Member must designate an account at a Funds-Only Settling Bank for purposes of settling the FOS credit/debit amount arising from each of its participant accounts at GSD.
  - Netting Members may designate separate accounts for FOS settlement and for final securities settlement (i.e., the Funds-Only Settling Bank account can be a different account from the account a Netting Member designates for use in connection with final securities settlement with FICC).
  - Netting Members may also designate separate accounts for purposes of settling FOS credit/debit amounts arising in relation to different participant accounts (i.e., the Funds-Only Settling Bank account for a Netting Member's Dealer Account may be different from the Funds-Only Settling Bank account for a Netting Member's Cross-Margining Customer Account).
- FICC aggregates FOS amounts due to or from a Netting Member in relation to an account and then automatically transfers the net amount into or out of the Netting Member's Funds-Only Settling Bank's designated account.
  - FICC calculates FOS amounts separately per participant account (i.e., FOS amounts for a Netting Member's House Account will not be netted against FOS amounts for a Netting Member's Cross-Margining Customer Account).
  - FICC provides FOS reporting to its Members and their FOS Settling Banks at the participant account level.
  - FICC settles versus FOS Settling Banks – each Member works with its FOS Settling Bank to establish which specific account is credited/debited the FOS amount per participant account.

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# FOS COMPONENTS OVERVIEW

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# FOS COMPONENTS OVERVIEW

➤ FICC exchanges the following FOS amounts with Netting Members, which fall into four principal buckets:

Bucket	FOS Components
Amounts arising from changes in the trade's value or distributions on the underlying securities	<ul style="list-style-type: none"> <li>• Coupon Adjustment Payment</li> <li>• Redemption Adjustment Payment</li> <li>• Forward Mark Adjustment Payment</li> <li>• Forward Mark Adjustment Payment Return</li> <li>• Interest Adjustment Payment</li> </ul>
Operational “true-up” payments	<ul style="list-style-type: none"> <li>• Transaction Adjustment Payment</li> <li>• Delivery Differential Adjustment Payment</li> <li>• Fail Mark Adjustment Payment</li> <li>• Clearance Difference Amount</li> </ul>
Invoice amounts	<ul style="list-style-type: none"> <li>• Invoice Amount</li> </ul>
Miscellaneous adjustments	<ul style="list-style-type: none"> <li>• Miscellaneous Adjustment Payment</li> </ul>

# FOS COMPONENTS OVERVIEW – MTM, DISTRIBUTIONS, AND INTEREST AMOUNTS

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- The following components of FOS represent amounts arising from the change in the value of a trade or distributions on the underlying securities.
  - **Coupon Adjustment Payment:** Payments to account for interim interest payments made under a security underlying a trade.
  - **Redemption Adjustment Payment:** Payments to account for the final principal payment made under a security underlying a trade.
  - **Forward Mark Adjustment Payment:** Payments based on changes in the value of the underlying securities and interest rates. (This is most comparable to variation margin and arguably represents the MTM of the trade.)
  - **Forward Mark Adjustment Payment Return:** This component represents the return of the previous FOS cycle's Net Forward Mark Adjustment Payment.
  - **Interest Adjustment Payment:** An amount equivalent to the interest accruing on previously posted and unreturned FOS. This is equivalent to Price Alignment Amount ("PAA") in the derivatives context.
  
- Except for Interest Adjustment Payments, FICC provides transaction level reporting for each of these components.
- FICC will introduce enhanced reporting that will, by the end of this year, allocate Interest Adjustment Payments on a trade-by-trade basis as well. In the interim, Netting Members can calculate the Interest Adjustment Amounts based on the reporting of the above components.

# FOS COMPONENTS OVERVIEW – OPERATIONAL “TRUE-UP” PAYMENTS

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- The following FOS components are a number of operational “true -up” payments that FICC uses to ensure that the ultimate amount paid in final settlement of a trade matches the contract value of the trade (i.e., the agreed-upon repurchase price).
- One of the main reasons a number of these components are needed is because FICC settles trades on a net basis based on its system price, which is the market value of the securities.
  - **Transaction Adjustment Payment (TAP):** TAP is an adjustment payment that is designed to address the fact that FICC settles with Netting Members at its system price (i.e., the current market price) rather than the contract price (i.e., the price agreed between the parties to the transaction).
  - **Delivery Differential Adjustment Payment:** Similar to TAP, this component is an adjustment payment that is designed to address the fact that FICC settles certain transactions involving the Treasury Auction issuances at the Fed Average Price rather than the market price.
  - **Fail Mark Adjustment Payment:** This component is an adjustment payment designed to address the fact that, if a trade fails to settle, FICC will incorporate the trade into the next day’s final settlement netting.
  - **Clearance Difference Amount:** This component is an adjustment payment that is designed to address the fact that the Netting Member may make a final settlement payment at a price that is slightly different than FICC’s system (i.e., market) price.

# FOS COMPONENTS OVERVIEW – TAP EXAMPLE

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- Consider a scenario in which the customer enters into a repo as seller (collateral provider) on 100 USTs with a repurchase price (contract value) of \$100.
- On the maturity date, the securities have gone up in value to \$102 (system price).
- On the maturity date:
  - FICC will settle with the Netting Member at the system price of \$102 versus the 100 USTs.
  - To adjust the settlement value of the securities settlement obligation back to contract value, FICC calculates a \$2 Transaction Adjustment Payment (TAP) which is paid to the Netting Member via FOS.

# FOS COMPONENTS OVERVIEW – EFFECT OF NETTING

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- Consider a scenario in which Customer A enters into a repo as seller (collateral provider) on 100 USTs with a repurchase price of \$100 and Customer B enters into a repo as buyer (cash provider) on 90 of the same USTs with a repurchase price of \$90.
- On the maturity date, the securities have gone up in value to \$102 (system price).
- On the maturity date:
  - FICC will settle with the Netting Member the net 10 securities at the system price of \$10.20
  - To adjust the settlement value of the securities settlement obligation back to contract value, FICC calculates a \$0.20 Transaction Adjustment Payment (TAP) which is paid to the Netting Member as part via FOS.
- While FICC calculates and reports such “true-up” payments on a net basis, the Clearing Member can allocate them using the reporting data provided by FICC at end of day each day.

# FOS COMPONENTS OVERVIEW – ALLOCATING “TRUE-UP” PAYMENTS

➤ Consider a scenario in which two customers execute purchases of the same security as below for the same trade settlement date, and the transactions are submitted for clearing by the customers’ Netting Member.

Trade	Customer	Transaction Type	Par	Contractual Settlement Amount	Price	TAP
Trade 1	ABCD	Buy	100	\$(101.50)	101.50	\$1.17
Trade 2	EFGH	Buy	50	\$(50.50)	101.00	\$0.83



1. FICC’s netting process results in a net long position for this security of 150 par versus a net contractual settlement value of \$152.00.

<b>Net Long Settlement Position</b>	150	\$(152.00)
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3. To allocate the net TAP amount back to the individual transaction level (and therefore to the customer), the Netting Member may perform the same TAP calculation at the trade level.

$$\text{TAP} = \text{Trade Contract Settlement Amount} - (\text{Trade Par} * (\text{FICC System Price}/100) + \text{Accrued Bond Interest})$$

2. Post netting FICC generates a settlement obligation to settle the net position and uses a system (market) price to determine the settlement amount. The difference between the contractual settlement amount of the net position (debit of \$152.00) and the settlement amount of the settlement obligation (debit of \$154.00) results in a Transaction Adjustment Payment (TAP) amount to be settled by the Member (credit of \$2.00).

Transaction Type	Par	FICC System (Market) Price	Settlement Amount
<b>Settlement Obligation</b>	150	102.665	\$(154.00)

<b>TAP</b>	\$2.00
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# FOS COMPONENTS OVERVIEW – OTHER AMOUNTS

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➤ The final components of FOS consist of:

- **Invoice Amounts:** These amounts represent the monthly invoice charged to the Netting Member on account of its participant account. The monthly invoice amount itself is based on FICC's fee schedule.
- **Miscellaneous Adjustment Payments:** These payments represent an ad-hoc miscellaneous adjustment passed to the FOS Statement. Depending on the reason for the adjustment, it may or may not be attributable to a customer - if FICC passes such an adjustment, FICC provides the rationale behind it (including whether it relates to a particular customer; if so, then the Netting Member can use that information to make the necessary allocation).

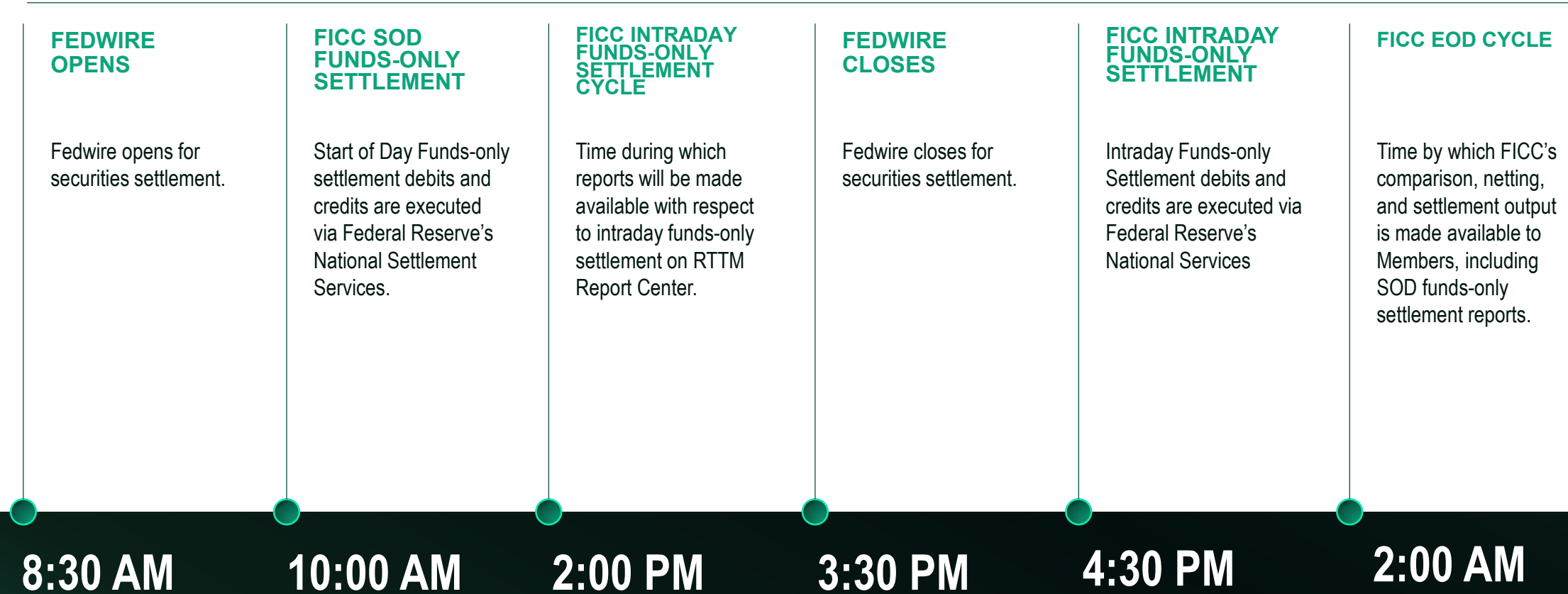
# FOS REPORTING

- Below is a table of each of the various FOS components and the relevant reporting currently available. The BD-FCM can use the information in these existing reports to allocate to individual customers the components that are not currently reported by FICC at the individual customer level.
- Note: FICC plans to enhance its FOS reporting and provide to BD-FCMs transaction level FOS data, including for those components which are today reported at the net position level. FICC is planning to have these new reports available by year-end 2026 and electronic output by end of Q2 2027.

FOS Components	Report	Reporting Level	Available Report Center Format	Available Netting MRO
Transaction Adjustment Payment (TAP)	Netted Summary Report	Security	PDF/Excel Compatible Text Format	Record Type 20 at the Security Level
Delivery Differential	Netted Summary Report	Security	PDF/Excel Compatible Text Format	Record Type 20 at the Security Level
Fail Mark Adjustment Payment	Netted Summary Report	Obligations	PDF/Excel Compatible Text Format	Record Type 23 - Obligation Level Information
Coupon Adjustment Payment	Coupon Payment/Redemption Report	Trades/Obligations	PDF	Record Type 38
Redemption Adjustment Payment	Coupon Payment/Redemption Report	Trades/Obligations	PDF	Record Type 20 at the Security Level
Clearance Difference Amount	Clearance Difference Report	Obligations	PDF	Record Type 23 - Obligation Level Information
Forward Mark Adjustment Payment	1) Open Position Mark Report (transaction level information, no client ticker information) 2) Haircut Report (transaction level information with client ticker information. Done-with Activity Only)	1) Trades/Obligations 2) Only Trades	1) PDF (Intraday-only) /Excel Compatible Text Format 2) Excel Compatible Text Format	Record Type 39
Forward Mark Adjustment Payment Return	N/A - based on previous cycle's Forward Mark Amount. Client can leverage the same reports as the Forward Mark Adjustment Payment	1) Trades/Obligations 2) Only Trades		Record Type 39 mapping to the prior cycle
Interest Adjustment Payment	Based on the forward mark adjustment payment return & Month-to-Date Accrued Interest Adjustment Payment, if applicable. Client can back into the amount using prior cycle's Open Position Mark Report & rates on the FOS Statement		Month-to-date Accrued Interest Adjustment Payment is a PDF Format.	N/A
Invoice Amount	Monthly Invoice	Participant Level	PDF	N/A
Miscellaneous Adjustment	N/A - Ad-hoc Miscellaneous Adjustment		N/A	N/A

# SETTLEMENT TIMELINE

All times listed below in Eastern Time



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# SETTLING THE FICC INVOICE AWAY FROM THE FOS PROCESS

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# INVOICE SETTLEMENT AWAY FROM FOS

- FICC will provide Netting Members who establish CME cross-margined segregated customer accounts the ability to settle the invoices for such accounts away from FOS.
- FICC will continue to generate and provide its invoice for such accounts to the Netting Member:
  - Invoices are generated at the participant account level – each participant account receives its own invoice.
  - Invoices are available to Netting Members through the FICC Report Center by the 5<sup>th</sup> business day of each month.
  - Invoices can result in an overall debit or credit balance that needs to be settled by the Netting Member.
- Netting Members settling their Invoice away from FOS must provide FICC with wire instructions for invoice settlement when a participant account is established.
  - When an invoice results in a debit amount, the Member must wire funds to the settlement instruction provided by FICC.
  - When an invoice results in a credit amount, FICC would wire funds to the settlement instruction provided by the Member to FICC at the time the cross-margined customer account was established.
  - Invoices settling away from FOS must be paid upon receipt of the invoice.
- Netting Members may elect to wire invoice amounts owed to FICC from a different account from that which the Netting Member has provided to FICC for purposes of settling amounts FICC owes.
  - For example, a Netting Member may provide FICC with wire instructions for a Section 4d segregated account so that FICC wires any invoice amounts to such account, but may elect to wire any amounts owed on account of the Cross-Margining Customer Account from a non-4d seg account.

# TMPG FAILS CHARGES SETTLEMENT THROUGH INVOICING PROCESS

- TMPG Fails Charges are settled by FICC via the Invoicing Process.
  - Each month FICC will provide the BD-FCM with an invoice for its Cross-Margining Customer Account that includes the net amount of fails charges owed in respect of its customer cross-margining positions.
  - Such net amount will either be payable to the BD-FCM or payable by the BD-FCM.
  - Since all securities settlements flow through the BD-FCM in its role as processing agent, the BD-FCM will have the information necessary to disaggregate the net fails amount displayed on the invoice and allocate the fails charges to customers.
  - FICC will not have this information since it generally does not know which customers have failed.

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**SECURITIES AND FOS SETTLEMENT  
FLOW FOR CROSS-MARGINED  
CUSTOMER ACCOUNTS**



# SECURITIES SETTLEMENT AND FOS

- Netting Members have the option to designate separate accounts for FOS and final settlement obligations or to use the same account for that purpose. Each approach presents different considerations for Clearing Members.
  
- **Option 1: Separate Account Structure**
  - Netting Member would effect final settlement through a separate account outside of segregation (e.g., existing Netting Member settlement account), while FOS payments would flow through a segregated account.
  - **Implications:**
    - Final settlement exchanges would flow outside of segregation.
    - Netting Members may need to front their own funds to settle with the customer or FICC at the system price and then withdraw from the segregated account operational true-up payments to reimburse itself.

# SECURITIES SETTLEMENT AND FOS

## ➤ Option 2: Same Account Structure

- Netting Member would effect final settlement and FOS payments through a segregated account.
- **Implications:**
  - Operational true-up payments and final settlement payments flow through the same account meaning that the exact contract price (and no more or less) ultimately lands in the account.
  - Netting Members would need to initiate withdrawals from the segregated account in order to settle with FICC and with customers.
  - Netting Members would still need to prefund the account and, before withdrawing any amounts received from the customer or FICC in repayment of such prefunding, the Netting Member would need to perform a residual interest calculation.

➤ The following settlement flow examples are under the assumption **Option 1** is utilized by the BD/FCM.

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**EXAMPLE 1: DONE-WITH SDS REPO**

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# EXAMPLE 1: DONE-WITH SAME-DAY SETTLING REPO



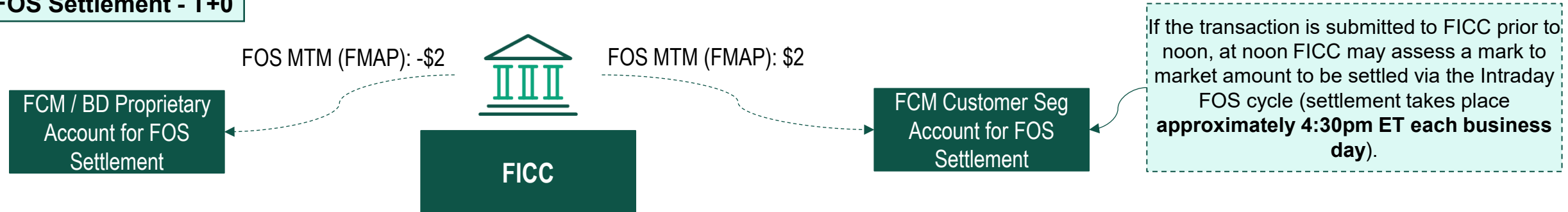
*Note: Transaction depicted above from an end leg perspective.*

- **Trade 1 – Cleared Customer Repo:** FCM / BD executes on T+0 an overnight SDS reverse repo transaction to finance securities position for their Customer A – this transaction is booked between the FCM / BD's Proprietary Account and the Cross-Margining Customer Account maintained by the FCM / BD at FICC and is novated upon comparison. **As this is a done-with SDS Repo, only the end leg of the repo transaction is novated and settling via FICC.**

# EXAMPLE 1: START LEG SECURITIES SETTLEMENT AND FOS

➤ If the Clearing Member settles FOS in a settlement location other than where the securities settlement obligation settles:

## FOS Settlement - T+0

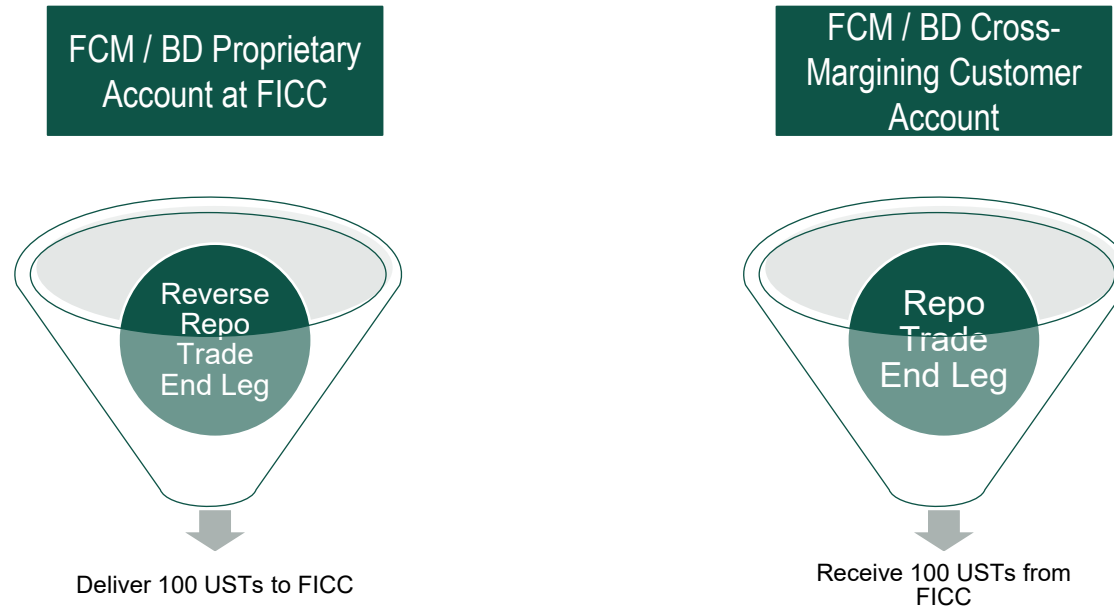


## Securities Settlement - T+0

Done with same-day settling repo start legs are **not novated nor settled via FICC** – securities are settled directly between the Clearing Member and their customer away from FICC.

# EXAMPLE 1: END LEG NETTING

## FICC Net - T+0

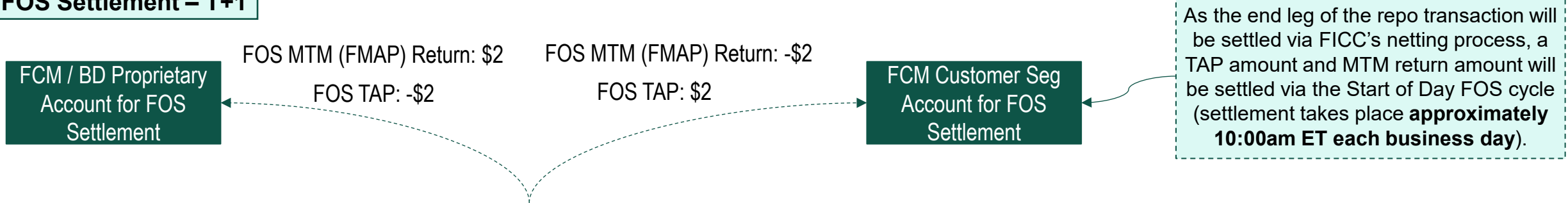


At end of day FICC's netting process will include the end leg of the trade and establish settlement obligations for the FCM / BD Proprietary Account and the Cross-Margining Customer Account maintained by the FCM / BD at FICC to settle the end leg.

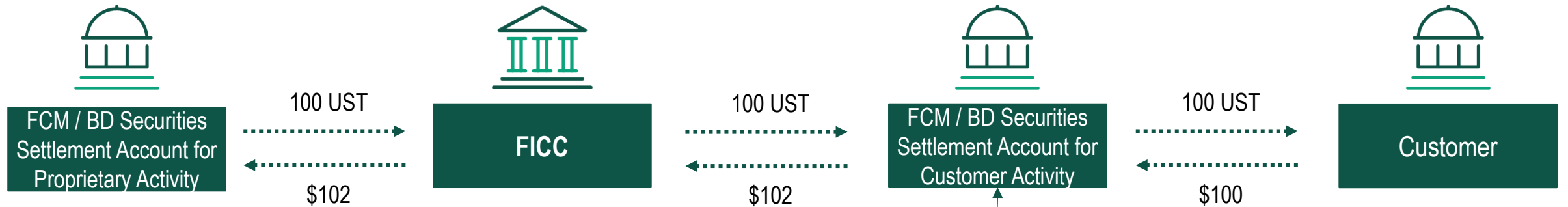
# EXAMPLE 1: END LEG SECURITIES SETTLEMENT AND FOS

➤ If the Clearing Member settles FOS in a settlement location other than where the securities settlement obligation settles:

## FOS Settlement – T+1



## Securities Settlement – T+1



FICC settles versus FCM / BD's Cross-Margining Customer Account's settlement instruction, with the FCM thereafter settling directly versus their customer.

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## **EXAMPLE 2: DONE-AWAY SDS REPO**

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# EXAMPLE 2: DONE-AWAY SAME-DAY SETTLING REPO



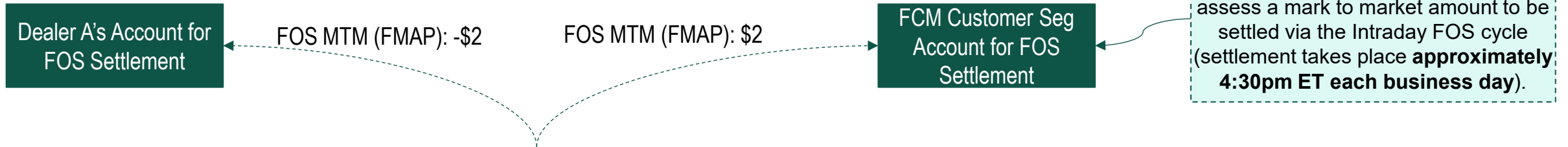
*Note: Transaction depicted above from an end leg perspective.*

- **Trade 1 – Cleared Customer Repo:** Customer A executes on T+0 an overnight SDS repo transaction to finance securities position on a done-away basis versus Dealer A – this transaction is booked between the Cross-Margining Customer Account maintained by the FCM / BD at FICC and Dealer A's Proprietary Account at FICC and is novated upon comparison. **As this is a done-away SDS Repo, the start leg of the repo transaction is novated and settles via FICC on a trade-for-trade basis.**

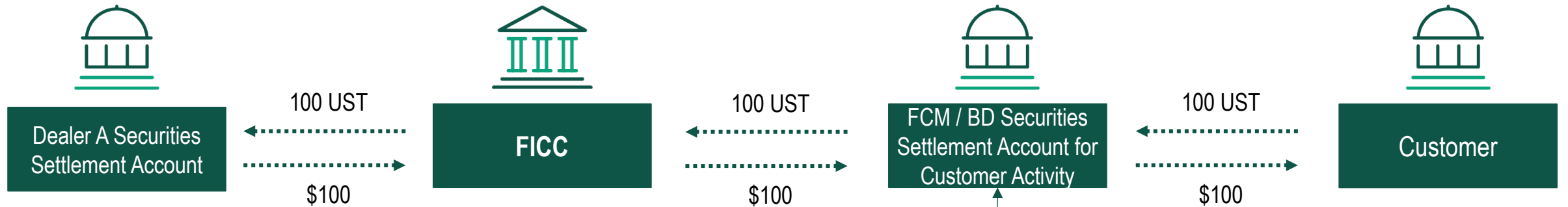
# EXAMPLE 2: START LEG SECURITIES SETTLEMENT AND FOS

➤ If the Clearing Member settles FOS in a settlement location other than where the securities settlement obligation settles:

## FOS Settlement – T+0



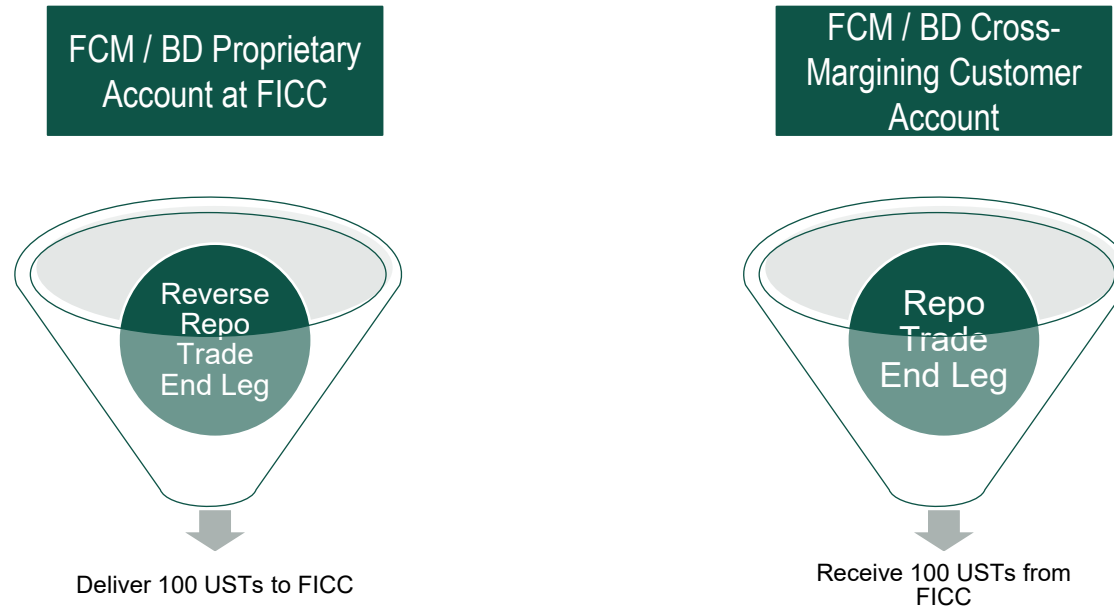
## Securities Settlement – T+0



Done away same-day settling repo start legs are **novated and settled via FICC on a trade-for-trade basis and at start leg contractual value** – securities are first settled directly between the Clearing Member and their customer away from FICC, then delivered to FICC by the Clearing Member.

# EXAMPLE 2: END LEG NETTING

## FICC Net - T+0

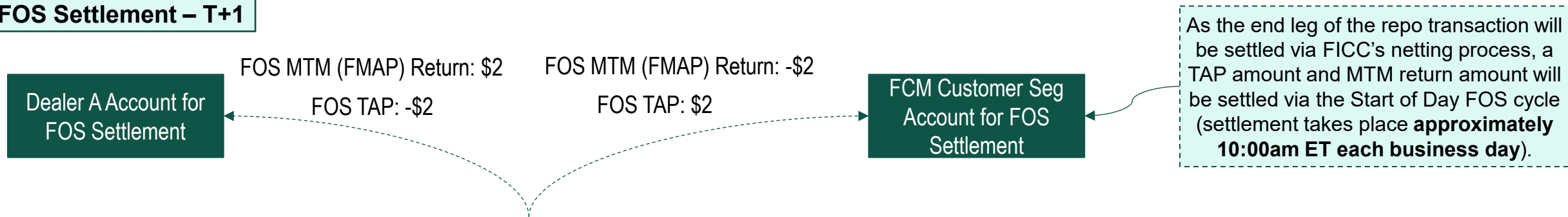


At end of day FICC's netting process will include the end leg of the trade and establish settlement obligations for the FCM / BD Proprietary Account and the Cross-Margining Customer Account maintained by the FCM / BD at FICC to settle the end leg.

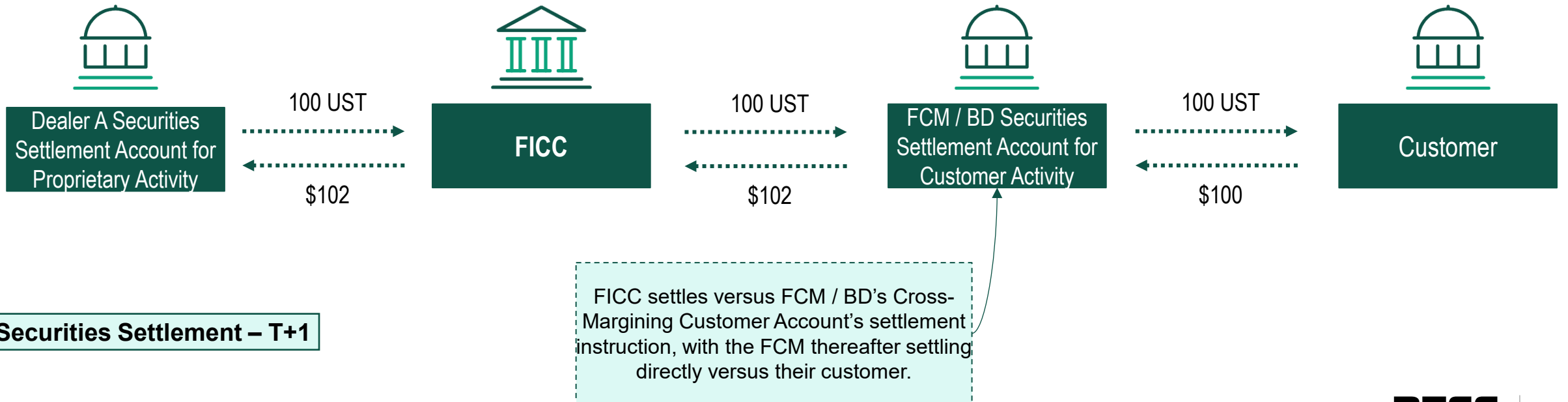
# EXAMPLE 2: END LEG SECURITIES SETTLEMENT AND FOS

➤ If the Clearing Member settles FOS in a settlement location other than where the securities settlement obligation settles:

## FOS Settlement – T+1



## Securities Settlement – T+1



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# **EXAMPLE 3: DONE-AWAY CASH**

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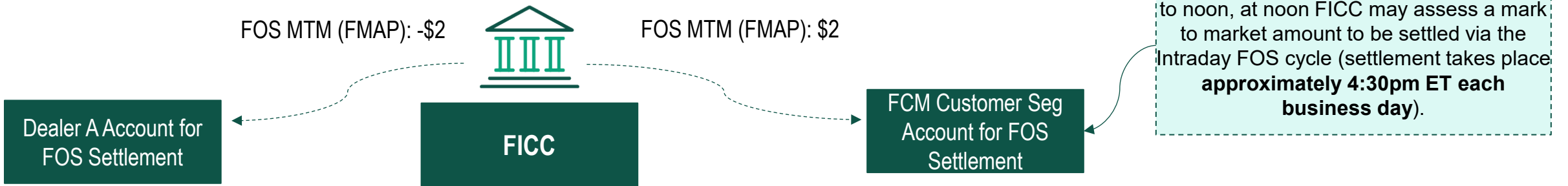
# EXAMPLE 3: DONE-AWAY CASH



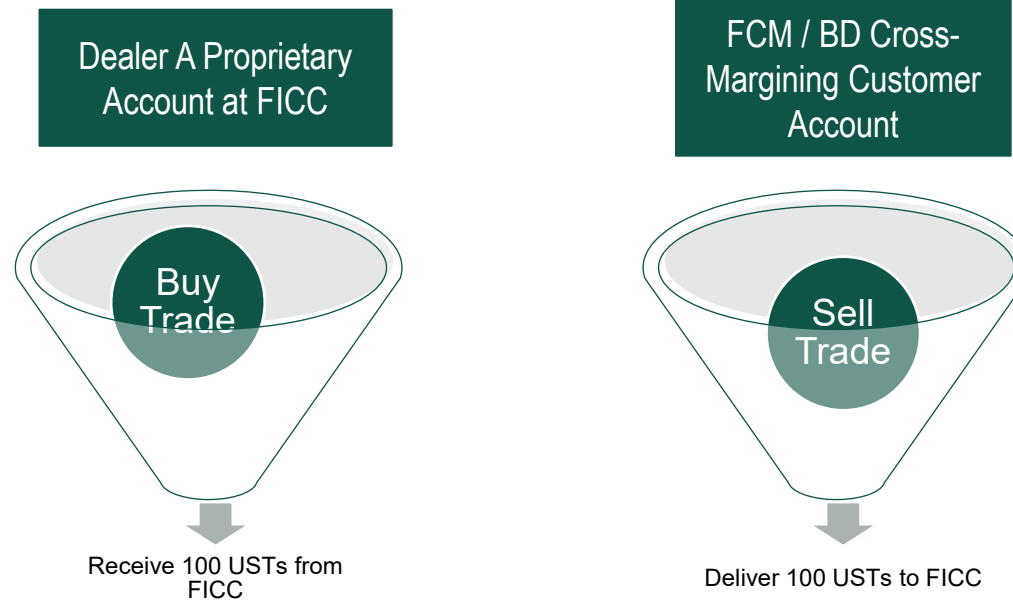
- **Trade 1 – Cleared Customer Cash:** Customer A executes on T+0 a cash sell transaction on a done-away basis versus Dealer A, settling T+1 – this transaction is booked between the Cross-Margining Customer Account maintained by the FCM / BD at FICC and Dealer A's Proprietary Account at FICC and is novated upon comparison. **As this is a cash transaction, it is novated and net settles via FICC.**

# EXAMPLE 3: DONE-AWAY CASH FOS SETTLEMENT & NETTING

## FOS Settlement - T+0



## FICC Net - T+0

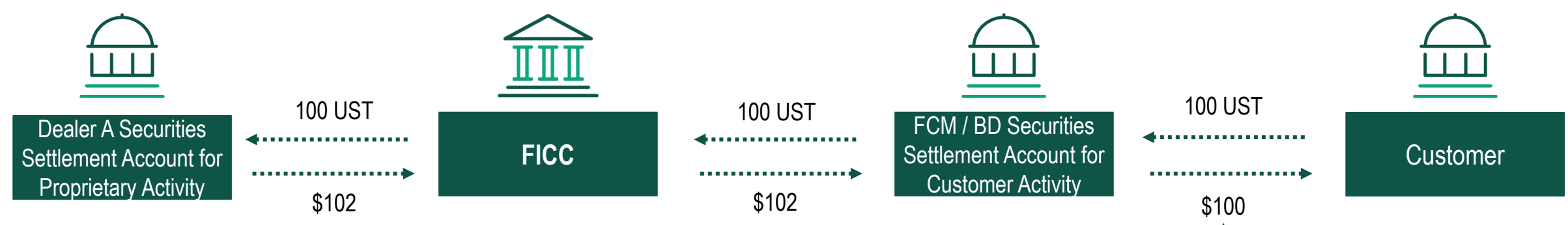
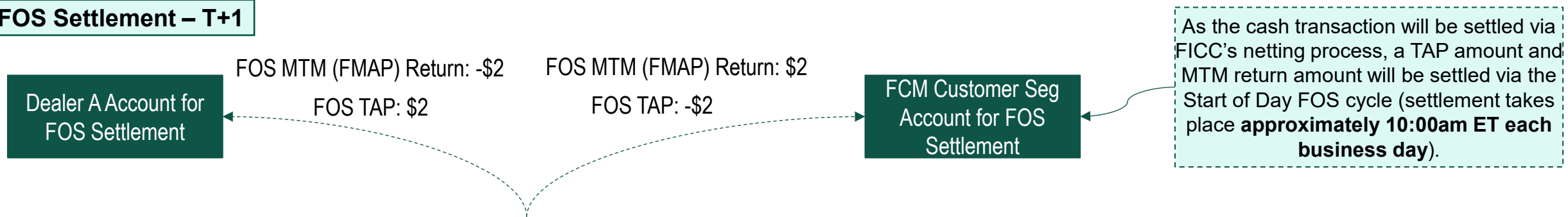


At end of day FICC's netting process will include the cash trade and establish settlement obligations for Dealer A's Proprietary Account and the Cross-Margining Customer Account maintained by the FCM / BD at FICC.

# EXAMPLE 3: SECURITIES SETTLEMENT AND FOS

➤ If the Clearing Member settles FOS in a settlement location other than where the securities settlement obligation settles:

## FOS Settlement – T+1



## Securities Settlement – T+1

Securities are first settled directly between the Clearing Member and their customer away from FICC, then delivered to FICC by the Clearing Member.

**DTCC**

# **EXAMPLE 4: FORWARD STARTING REPO**

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# EXAMPLE 4 – FORWARD STARTING REPO



*Note: Transaction depicted above from an end leg perspective.*

- **Trade 1 – Cleared Customer Repo:** FCM / BD executes a forward starting reverse repo transaction on T+0 with the repo start leg settling on T+1 and the repo end leg settling on T+2 to finance securities position for their Customer A – this transaction is booked between the FCM / BD's Proprietary Account and the Cross-Margining Customer Account maintained by the FCM / BD at FICC and is novated upon comparison. **As this is a forward starting repo, the start leg and end leg of the repo transaction are novated and settling via FICC.**

# EXAMPLE 4: START LEG NETTING AND FOS

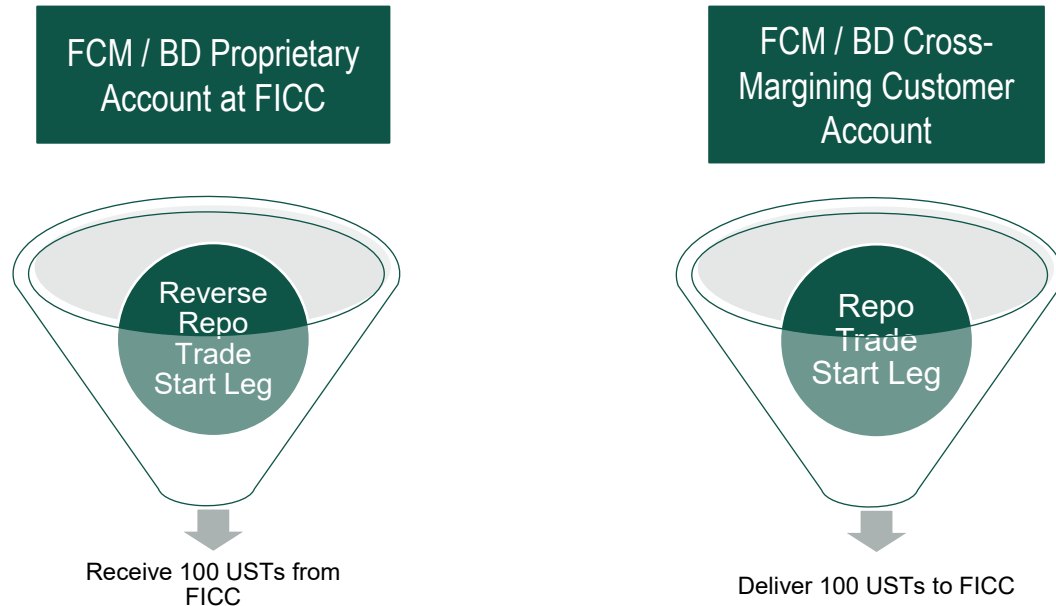
➤ If the Clearing Member settles FOS in a settlement location other than where the securities settlement obligation settles:

## FOS Settlement - T+0



If the transaction is submitted to FICC prior to noon, at noon FICC may assess a mark to market amount to be settled via the Intraday FOS cycle (settlement takes place **approximately 4:30pm ET each business day**). Additionally, FICC will calculate mark to market for the trade at EOD for the forward starting trade to be settled via the Start of Day FOS cycle.

## FICC Net - T+0

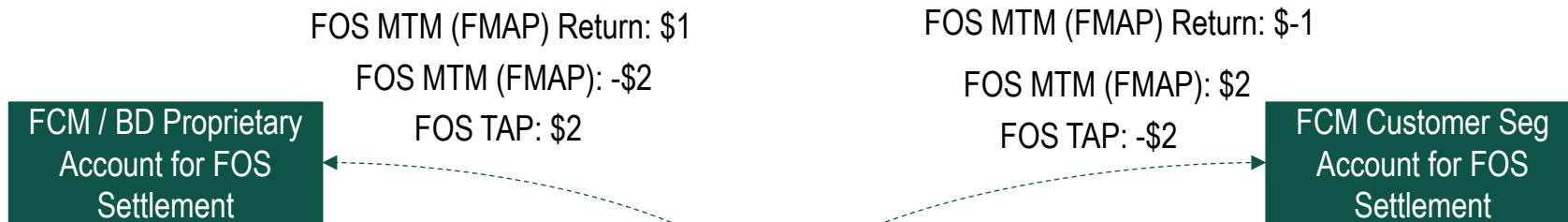


At end of day on T+0, FICC's netting process will include the start legs of the trade and establish settlement obligations for the FCM / BD Proprietary Account and the Cross-Margining Customer Account maintained by the FCM / BD at FICC to settle the start leg.

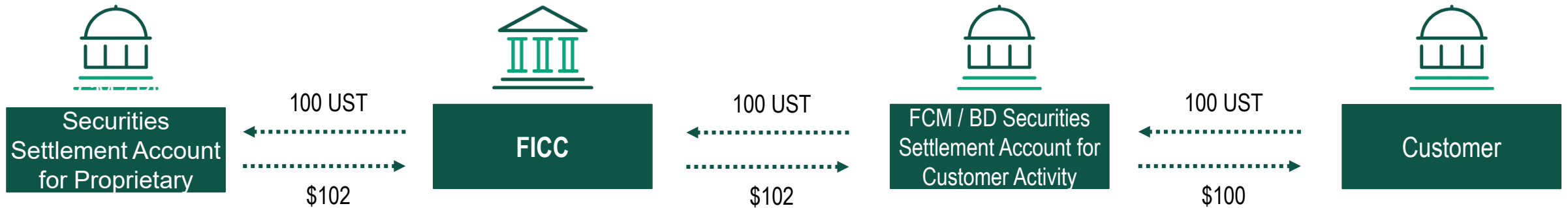
# EXAMPLE 4: START LEG SECURITIES SETTLEMENT AND FOS

➤ If the Clearing Member settles FOS in a settlement location other than where the securities settlement obligation settles:

## FOS Settlement - T+1



As the start leg of the repo transaction will be settled via FICC's netting process, a TAP amount and MTM return amount will be settled via the Start of Day FOS cycle (settlement takes place **approximately 10:00am ET each business day**). Additionally, the MTM calculated from the EOD of the prior day will also be settled during the SOD FOS Cycle.



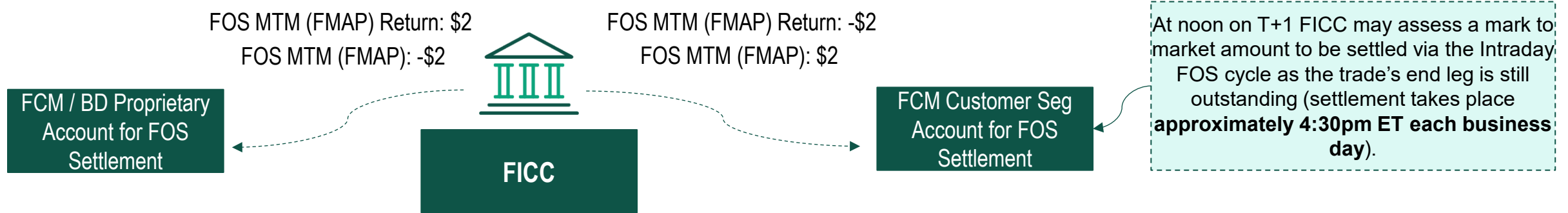
## Securities Settlement - T+1

Securities are first settled directly between the Clearing Member and their customer away from FICC, then delivered to FICC by the Clearing Member.

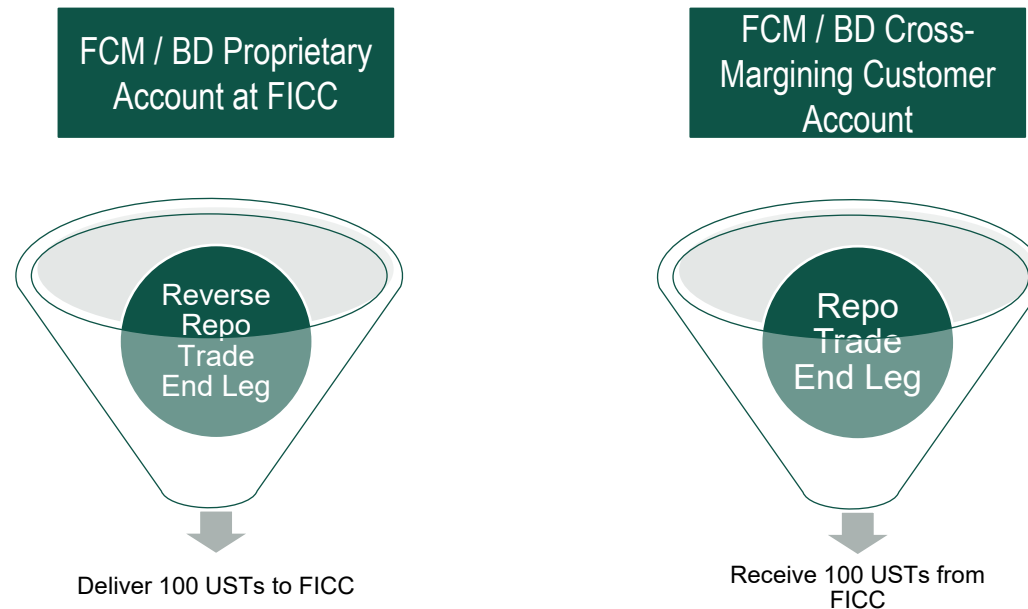
# EXAMPLE 4: END LEG NETTING AND FOS

➤ If the Clearing Member settles FOS in a settlement location other than where the securities settlement obligation settles:

## FOS Settlement - T+1



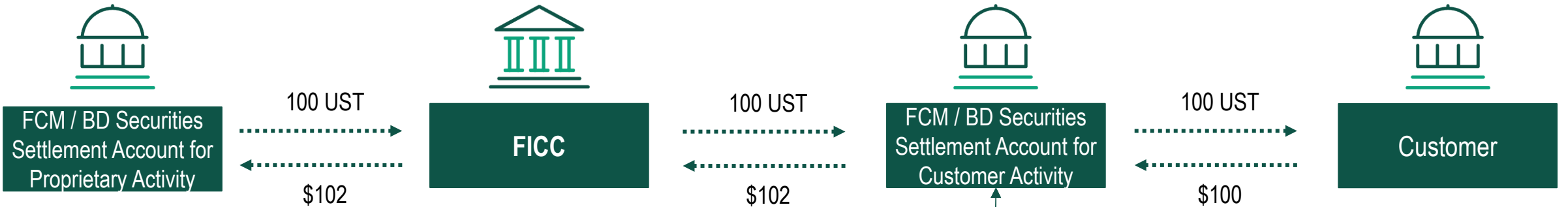
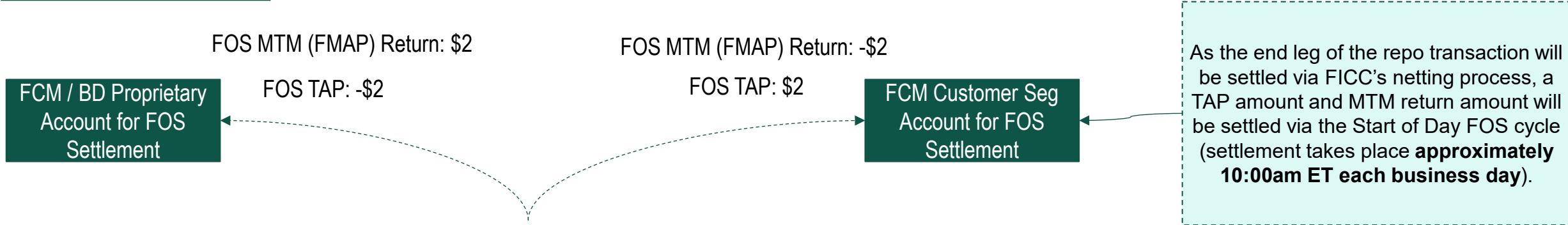
## FICC Net - T+1



# EXAMPLE 4: END LEG SECURITIES SETTLEMENT AND FOS

➤ If the Clearing Member settles FOS in a settlement location other than where the securities settlement obligation settles:

## FOS Settlement - T+2



## Securities Settlement - T+2

FICC settles versus FCM / BD's Cross-Margining Customer Account's settlement instruction, with the FCM thereafter settling directly versus their customer.

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**PORTING**



- To port cleared customer positions at FICC:
  - 1) For done-away executions, the Clearing Member may submit offsetting trade activity between the Indirect Participants Account into which the trade was originally booked and the intended Indirect Participants Account into which the trade is to be cleared (i.e., to be ported to).
    - The intended Indirect Participants Account may be another Indirect Participants Account of the same Clearing Member, or the Indirect Participants Account of another Clearing Member.
    - With the exception of directionality, offsetting trade data must be unaltered from the original trade data and include, for example, trade date, trade price/rate and settlement date.
    - If porting positions between Clearing Members, both Clearing Members must submit matching trade instructions into their respective Indirect Participants Account to effectuate the port.
  - 2) For done-with executions, the Clearing Member may either submit offsetting trade activity as outlined in 1) above or cancel the submitted done-with trade activity and rebook it into the intended Indirect Participants Account.
- Offsetting transactions or cancel & rebook actions to effectuate a port may be submitted by Clearing Member(s) to FICC on anybusiness day at any time during the trade submission window – between 7 AM to 8 PM ET.
  - Transactions submitted by the Clearing Member(s) must be in Compared state to effectuate the port, and such port is effective upon trade matching at FICC.

# PORTING – MARGIN CONSIDERATIONS

- The Clearing Fund Required Fund Deposit calculation and mark to market cycle become the obligation of the receiving Indirect Participants Account after the port is effectuated. Therefore:
  - If a transfer is effective prior to 12 PM ET, the customer position being ported will be included in the receiving Indirect Participants Account's Intraday Required Fund Deposit calculation and mark to market cycle on that Business Day and going forward.
  - If a transfer is effective after 12 PM ET, the customer position being ported will be included in the receiving Indirect Participants Account's EOD/SOD Required Fund Deposit calculation and mark to market cycle on that Business Day and going forward.

# PORTING – TRANSFERS OF SEGREGATED CUSTOMER MARGIN

- Along with the porting of positions FICC facilitates the transfer of Segregated Customer Margin when all activity of a Segregated Indirect Participant is transferred.
  
- Sending Members must submit an “Instructions to Transfer Segregated Customer Margin” form by no later than 8 PM ET one Business Day prior to the Transfer Effective Time for the transfer of the associated customer activity (i.e., one Business Day prior to the Business Day on which the associated customer activity would be ported).
  - Completed and signed forms must be submitted to: [FICCTreasury@dtcc.com](mailto:FICCTreasury@dtcc.com).
  
- Segregated Customer Margin transfers to the receiving Segregated Indirect Participants Account will be effective prior to 9:30 AM ET of the Business Day of the Transfer Effective Time (the Business Day immediately following the day on which the port of the associated Indirect Participant Activity was submitted to FICC), subject to the conditions set forth in Section 1(d) of GSD Rule 26.
  
- Transfers of Segregated Customer Margin are only effective during the EOD/SOD Clearing Fund Required Fund Deposit calculation
  - Therefore, in order to reduce the likelihood that the porting of customer positions and the associated Segregated Customer Margin triggers an intraday Segregated Customer Margin call, such ports should be submitted and effectuated **between 5 PM – 8 PM ET**.

**DTCC**

**THANK YOU!**

