

FICC GSD Agent Clearing Service (ACS) Tri-party Repo Frequently Asked Questions (FAQs)

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ACS Tri-party Repo Fundamentals

Who is FICC GSD?

The Fixed Income Clearing Corporation (FICC) is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (DTCC). FICC is a registered clearing agency with the Securities and Exchange Commission (SEC) and designated as a “Systemically Important Financial Market Utility” by the Financial Stability Oversight Council. As a registered clearing agency, FICC is subject to the requirements that are contained in the Exchange Act and in the SEC’s regulations and rules. These requirements include the Covered Clearing Agency Standards, which provide enhanced standards for entities that meet the definition of “covered clearing agency.”

FICC has two divisions: the Mortgage-Backed Securities Division (MBSD) and the Government Securities Division (GSD).

GSD, as a division of FICC, is the leading provider of real-time trade matching, risk management, novation, netting and settlement services for the U.S. Government securities marketplace. Eligible transactions that clear through FICC GSD include DVP Buy/Sell and Repo Transactions, and tri-party repo transactions through FICC GSD’s Sponsored GC, CCIT™ and GCF Repo Services.

What is Agent Clearing Service (ACS) Tri-party Repo?

ACS Tri-party Repo leverages much of the existing legal framework and operational workflow as GSD’s existing Sponsored GC Service to allow Agent Clearing Members and their clients (Executing Firm Customers) to submit to FICC for clearance and settlement of tri-party repo transactions (referred to as “ACS Tri-party Trades”) on a general collateral basis. ACS Tri-party Repo supports the same asset classes that are currently eligible in FICC’s GCF Repo® Service and Sponsored GC Service. ACS Tri-party Trades are settled on a tri-party repo platform of an ACS Tri-party Clearing Agent Bank.

Does the ACS Tri-party Repo support submission of “done-with” and “done-away” activity?

Yes. Similar to ACS DVP Repo, ACS Tri-party Repo will support both “done-with” and “done-away” activities.

What is a “done-with” ACS Tri-party Trade?

A “done-with” ACS Tri-party Trade is a tri-party repo transaction that has been executed on a general collateral basis between an Executing Firm Customer and its Agent Clearing Member.

What is a “done-away” ACS Tri-party Trade?

A “done-away” ACS Tri-party Trade is a tri-party repo transaction that has been executed on a general collateral basis between an Executing Firm Customer and either a Netting Member of GSD other than its Agent Clearing Member or another Indirect Participant of GSD. Note: While not the pre-novation counterparty to the ACS Tri-party Trade, the Executing Firm Customer’s Agent Clearing Member continues to act as the processing agent for the Executing Firm Customer’s done-away ACS Tri-party Trades and to be responsible for the Executing Firm Customer’s performance of its obligations thereunder.

Can an existing Agent Clearing Member Omnibus Account be used to transact both ACS DVP and ACS Tri-party Repo activity?

Yes, the Agent Clearing Member may use its existing Agent Clearing Member Omnibus Account to submit both ACS DVP and ACS Tri-party Repo activity.

Service Features and Functionality

How will ACS Tri-party Repo work?

ACS Tri-party Repo leverages much of the existing legal framework and operational workflow as GSD’s existing Sponsored GC Service to facilitate trade submissions into FICC.

- The Agent Clearing Member would need to have onboarded its Executing Firm Customer to

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FICC before the first trade can be submitted to FICC.

- The ACS Funds Lender and the ACS Funds Borrower would need to establish tri-party accounts at an ACS Tri-party Clearing Agent Bank before their first trade execution.
- The ACS Funds Lender and the ACS Funds Borrower, as well as their Agent Clearing Members or Sponsoring Members, as applicable, may also need to enter into an annex to their custodial agreement (or similar documentation) with the ACS Tri-party Clearing Agent Bank in relation to the ACS Triparty Service.
- ACS Tri-party Repo uses the same Generic CUSIPs and collateral eligibility schedules as Sponsored GC Repo for trade submissions and collateral allocations.

What are some of the benefits of allowing tri-party repo activity in the Agent Clearing Service?

Agent Clearing Members and their Executing Firm Customers will now have the opportunity to utilize tri-party collateral management and settlement capabilities for cleared repo activity while retaining the benefits of the Agent Clearing Service.

The Agent Clearing Service offers Agent Clearing Members and their Executing Firm Customers a variety of benefits, including potential reductions in capital requirements and balance sheet relief that may not be available to the same extent the parties were to transact outside of central clearing. In addition, Agent Clearing Members may also see enhanced margin efficiency due to the net margining capability the Service offers across Executing Firm Customers whose activity is recorded in the same Agent Clearing Member Omnibus Account that is not a Segregated Indirect Participants Account.

What are the Generic CUSIPs and eligible collateral types for ACS Tri-party Repo?

ACS Tri-party Repo uses the same Generic CUSIPs and collateral schedule as Sponsored GC Repo. Specific eligibility criteria for each eligible Generic CUSIP can be sourced from the ACS Tri-party Clearing Agent Bank.

What are the operational mechanics of ACS Tri-party Repo?

Similar to the current operational trade flow of the Sponsored GC Service:

- The ACS Tri-party Funds Lender and the ACS Tri-party Funds Borrower execute their trade away from FICC.
- All ACS Tri-party Trades have to be submitted and compared on both the ACS Tri-party Clearing Agent Bank's tri-party repo platform and FICC GSD RTTM Web.
- The comparison of ACS Tri-party Trades on the ACS Tri-party Clearing Agent Bank's tri-party repo platform would be done similarly to how tri-party repo trades are compared today outside of central clearing.
- At FICC, the submission of the Executing Firm Customer's side of the trade would be the responsibility of an Agent Clearing Member as processing agent. Such submission would be to a specific position keeping account called an "Agent Clearing Member Omnibus Account". The counterparty would be responsible for submitting their side of the trade to FICC.
- The same Generic CUSIPs and the same Schedule I that are applicable under the Sponsored GC Service would apply to ACS Tri-party Transactions.
- ACS Tri-party Trades would have to be submitted, matched and settled within established timeframes and repo interest would be paid daily on the tri-party repo platform.
- Settlement of both the start leg and end leg would occur on the tri-party repo platform.

What is the max trade size that can be submitted on ACS Tri-party Trades?

The current maximum amount for tri-party repo transactions is 9,999,000,000, however, FICC is planning to increase the maximum amount to 30,000,000,000 later this year.

What is the max term allowed for an ACS Tri-party Trade?

For any repo transaction to be novated to FICC, it cannot be submitted and compared with a term greater than two years (735 days).

Risk Management

What Funds-Only Settlement Obligation (FOS) will be associated with the ACS Tri-party Trades?

As with Sponsored GC, below are the same two components of FOS that are applicable to the ACS Tri-party Trades:

- Forward Mark Adjustment Payment: this component captures the GC Interest Rate Mark that is used to mark-to-market the unaccrued portion of the repo interest of the ACS Tri-party Trades based on the current System Repo Rate.
- Interest Adjustment Payment: this component accounts for the overnight use of funds based on the amount of GC Interest Rate Mark paid/charged to the Executing Firm Customer by FICC on the previous business day.

Will haircuts be required on ACS Tri-party Trades?

An ACS Tri-party Trade may, but would not be required to, have an initial haircut.

Do ACS Tri-party Trades have to be gross margined, similar to Sponsored GC?

No. An Agent Clearing Member can opt for one of two styles of Agent Clearing Member Omnibus Account:

- A non-segregated Agent Clearing Member Omnibus Account: margin posted is viewed as belonging to the Agent Clearing Member and calculated on a *net basis* across all Executing Firm Customers whose activity is recorded in the Account; or
- A Segregated Indirect Participants Account: margin for each Executing Firm Customer ("Segregated Indirect Participant") is calculated separately (i.e., on a *gross basis*) and must generally be collected from the Executing Firm Customer by the Agent Clearing Member, in accordance with the GSD Rules regarding Segregated Indirect Participant Accounts (GSD Rules 2B and 4). The Agent Clearing Member is then responsible for posting Segregated Customer Margin with FICC.

Are there any liquidity risk considerations?

Agent Clearing Members are responsible for any and all Capped Contingency Liquidity (CCLF) obligations attributed to its Executing Firm Customer(s) activity, including any novated ACS Tri-party Trades.

Agent Clearing Members are responsible for any loss allocation obligations attributed to their Executing Firm Customer(s) activity, including any novated ACS Tri-party Trades.

Fees

Agent Clearing Members are responsible for all FICC fees associated with its Executing Firm Customer(s) activity. The existing FICC fee structure applicable to Sponsored GC Trades will be applied to ACS Tri-party Trades.

Additional Information

For further details, stakeholders are encouraged to refer to official rule filings, consult directly with their FICC Relationship Manager and (if applicable) their representative at an ACS Tri-party Clearing Agent Bank.

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