

DTCC

FICC Sponsored GC Service Expansion

DONE-AWAY AND COLLATERAL IN LIEU (CIL) CAPABILITIES

DATE: November 2025

DEPARTMENT: FICC Product Management

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Agenda

- ▶ **FICC Sponsored Service Overview**
- ▶ **Introduction to FICC's Proposed Sponsored GC Service Expansion**
 - ▶ FICC's Proposed Sponsored GC Service Done-Away Capability
 - ▶ FICC's Proposed Sponsored GC Collateral in Lieu (CIL) Service Capability
- ▶ **Risk Management of Sponsored GC CIL Trades**
- ▶ **Benefits of FICC's Sponsored GC Service Expansion**

FICC Sponsored Service Overview

- ▶ FICC's Sponsored Service allows approved Netting Members to sponsor eligible legal entities as Sponsored Members into membership at the Government Securities Division (GSD) of FICC.
- ▶ A Sponsoring Member acts as guarantor (guarantees the performance of the Sponsored Member as it relates to their obligations to FICC) and processing agent on behalf of their Sponsored Member clients. FICC interacts solely with the Sponsoring Member as processing agent for the day-to-day satisfaction of its Sponsored Members' obligations to or from FICC.
- ▶ A Sponsoring Member is permitted to submit to FICC, on behalf of its Sponsored Members, transactions in eligible securities for clearing through the following offerings:
 - ▶ Sponsored Delivery-vs-Payment (DVP) – offers eligible clients the ability to lend cash or eligible specified collateral via FICC-cleared DVP repo transactions in U.S. Treasury and Agency securities on an overnight and term basis, as well as outright purchases and sales of such securities, to be settled on a DVP basis. Under Sponsored DVP, Sponsoring Members may allow their Sponsored Members to trade with counterparties other than themselves (“Done-Away”), providing Sponsored Members with the same execution flexibility they have in the bilateral market.
 - ▶ Sponsored GC Service – offers eligible clients the ability to lend cash in exchange for eligible unspecified collateral via executing general collateral repo transactions (in standardized Generic CUSIP Numbers representing the same asset classes eligible under the existing GCF Repo[®] Service) and settling those repo transactions on a trade for trade basis on the tri-party repo platform of a Sponsored GC Clearing Agent Bank.

Sponsoring Member Eligibility Requirements

- ▶ Sponsoring Member applicants must:
 - ▶ Be a GSD Netting Member that is a Tier One Netting Member (with certain exceptions).*
 - ▶ Be domiciled in a FICC-approved jurisdiction.
 - ▶ Have sufficient financial ability to make anticipated required deposits to the Clearing Fund and Funds-Only Settlement Amounts.
 - ▶ Establish a Sponsoring Member Omnibus Account for its Sponsored Members' positions arising from Sponsored Member Trades, which is separate from the Sponsoring Member's Proprietary Account.
 - ▶ Demonstrate operational readiness.
 - ▶ Meet any other credit risk conditions that may be required by FICC.

Sponsored Member Eligibility Requirements

- ▶ Sponsored Members must:
 - ▶ Be sponsored into membership by at least one Sponsoring Member.
 - ▶ Be domiciled in a FICC-approved jurisdiction.

*A Sponsoring Member could be an IDB only if the IDB also joins GSD as a Dealer Netting Member and opens a Dealer Account at GSD.

Introduction to FICC's Proposed Sponsored GC Service Expansion

FICC'S PROPOSED SPONSORED GC SERVICE EXPANSION

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In response to evolving market demands and persistent challenges in the repo landscape, FICC is poised to implement a suite of strategic improvements aimed at strengthening its tri-party buy-side offerings.



These improvements are designed not only to enhance margin, capital and operational efficiency but also to bolster legal certainty and risk mitigation for all participants.



By leveraging innovative clearing models and expanding service options, FICC seeks to address longstanding limitations while accommodating a broader spectrum of counterparties and transaction types.



The following slides provide a comprehensive overview of the proposed enhancements for FICC's Sponsored GC Service.

FICC's Proposed Sponsored GC Service Done-Away Capability

FICC'S PROPOSED SPONSORED GC SERVICE DONE-AWAY CAPABILITY

- ▶ The existing Sponsored GC Service is currently limited to the submission, matching and risk management of Sponsored GC Trades between the Sponsoring Member (via its Proprietary Account) and its Sponsored Member (via the Sponsoring Member Omnibus Account), or “done-with” activity.
- ▶ FICC has proposed changes to the GSD Rules that would facilitate “done-away” Sponsored GC Trades through the submission, matching and risk management of trades executed by a Sponsored Member where the counterparty is a Netting Member other than the Sponsored Member’s Sponsoring Member (referred to in this presentation as the “Done-away Netting Member”) or another Indirect Participant.
- ▶ FICC proposes to offer the done-away capability to Sponsored Members through the same Sponsoring Member Omnibus Account. Under the proposal a Sponsored Member would execute repo transactions on a general collateral basis with a Done-away Netting Member or another Indirect Participant (collectively referred to in this presentation as the “Done-away Counterparty”).
- ▶ The Sponsored Member’s Sponsoring Member would continue to act as guarantor and processing agent for the “done-away” Sponsored GC Trades.
- ▶ Done-away Sponsored GC Trades would be risk managed in the same way as done-with Sponsored GC Trades are today.
- ▶ The operational mechanics of the Sponsored GC Trade flow would remain the same: trade submission, trade novation and start leg settlement would remain the same for done-with and done-away activity.

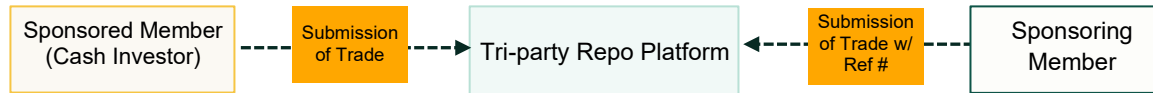
CURRENT SPONSORED GC DONE-WITH TRADE FLOW

Trade Execution



*Haircuts are permitted but not required.

Trade Submission to a Sponsored GC Clearing Agent Bank's Tri-party Repo Platform



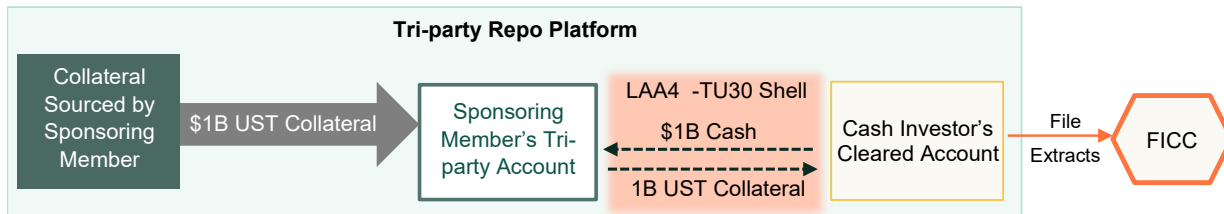
Trade Submission to FICC



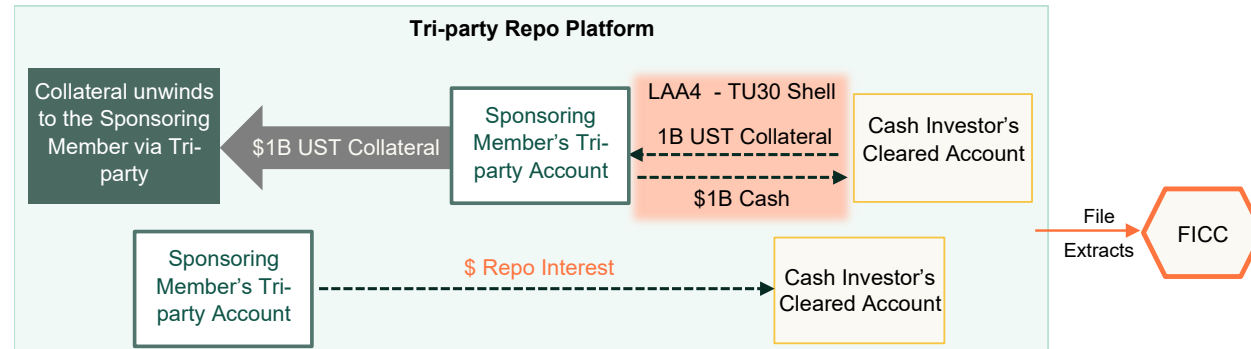
Note:

The reference number on the Sponsoring Member's (Proprietary Account) submissions to the Tri-party Repo Platform and FICC GSD RTTM Web must be identical for the trade to novate at FICC. Also, this flow is based on an overnight Sponsored GC Trade where the repo interest is paid with the settlement of the end leg.

Start Leg Settlement - Sponsored GC Clearing Agent Bank's Tri-party Repo Platform



End Leg Settlement - Sponsored GC Clearing Agent Bank's Tri-party Repo Platform



PROPOSED SPONSORED GC DONE-AWAY TRADE FLOW

Trade Execution



*Haircuts are permitted but not required.

Trade Submission to a Sponsored GC Clearing Agent Bank's Tri-party Repo Platform



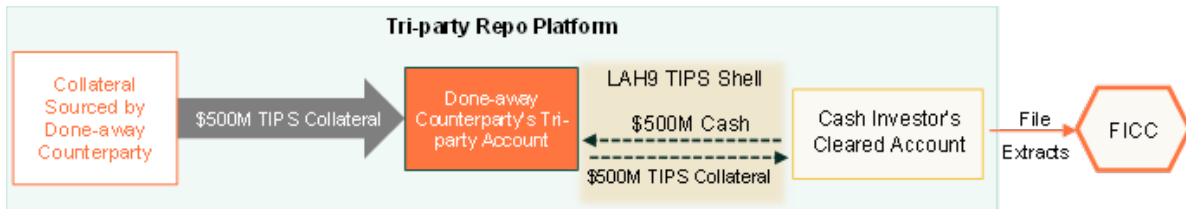
Trade Submission to FICC



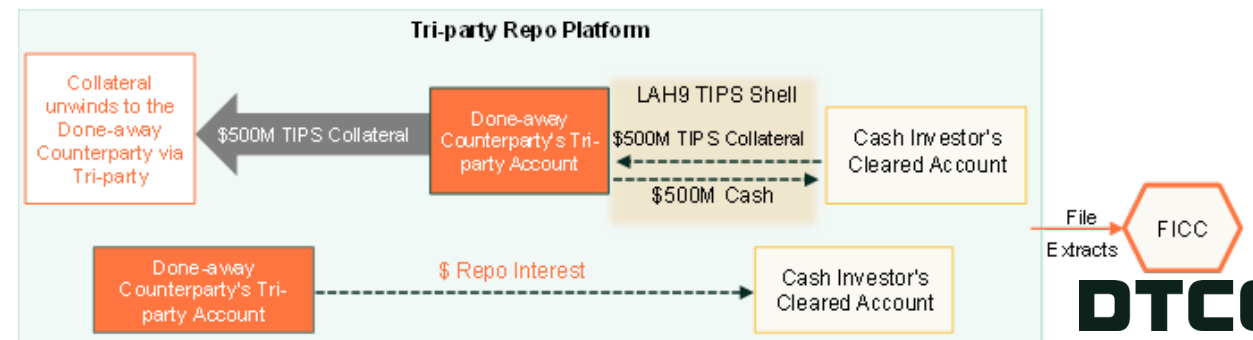
Note:

The reference number used on the trade submission to the Tri-party Repo Platform must be identical to the master reference number submitted on the Sponsored GC Trade in FICC GSD RTM Web for the trade to novate. This applies to the Done-away Counterparty's trade submission. For trade submission to FICC, the Done-away Counterparty is either the Done-away Netting Member or an intermediary acting on behalf of an Indirect Participant. Also, this flow is based on an overnight Sponsored GC Trade where the repo interest is paid with the settlement of the end leg.

Start Leg Settlement - Sponsored GC Clearing Agent Bank's Tri-party Repo Platform



End Leg Settlement - Sponsored GC Clearing Agent Bank's Tri-party Repo Platform



FICC's Proposed Sponsored GC Collateral in Lieu (CIL) Service Capability

SPONSORED GC COLLATERAL IN LIEU (CIL) SERVICE OVERVIEW

- ▶ As an expansion of the Sponsored GC Service, the proposed Sponsored GC Collateral in Lieu (CIL) Service would offer FICC tri-party cleared repo services to Cash Investor Sponsored Members (“CIL Funds Lenders”) without the need to collect margin from their Sponsoring Members with respect to the Cash Investors' side of the trade in most circumstances.
- ▶ “In lieu” of collecting margin on Sponsored GC CIL Trades, FICC would require the CIL Funds Lender to allow FICC to have a lien on the U.S. Treasury securities sold to the CIL Funds Lender as part of the settlement of the start leg of the repo transaction.
- ▶ Securities would be held as collateral in a dedicated “Collateral in Lieu” tri-party account at a Sponsored GC Clearing Agent Bank and would be subject to FICC’s lien.
- ▶ In light of FICC’s lien on the collateral and its ability to unwind the trade in the event of the default of a CIL Funds Lender, Sponsoring Members would not be required to guarantee the performance of the CIL Funds Lender to FICC.
- ▶ All Sponsored GC CIL Trades would be required to have an initial haircut of 2%, which is consistent with generally accepted market practices.
- ▶ CIL Funds Lenders would be able to execute Sponsored GC CIL Trades on a “done-with” or “done-away” basis. The Sponsored GC CIL Trade flow would be the same as the Sponsored GC Trade flow whether executed on a done-with or done-away basis.
- ▶ The CIL Funds Lender side of a Sponsored GC CIL Trade will always be a reverse repo transaction.

SPONSORED GC COLLATERAL IN LIEU (CIL) SERVICE OVERVIEW (CONT.)

- ▶ The Sponsored GC CIL Service would utilize the existing Sponsored GC framework allowing for ease of adoption.
- ▶ Aspects of the existing Sponsored GC framework that would be the same for CIL:
 - ▶ Eligibility requirements
 - ▶ Eligible transaction types, which would include overnight and term repos
 - ▶ Collateral Schedules and Schedule of Sponsored GC Timeframes
 - ▶ Operational mechanics of trade processing, including:
 - ▶ Comparison of trade details on the tri-party repo platform.
 - ▶ Trade submission and trade matching on FICC GSD RTTM web.
 - ▶ Identical master reference/dealer reference for trade submissions to the tri-party repo platform and FICC GSD RTTM web.
 - ▶ No settlement netting of trades, which would settle on a trade-for-trade basis.
 - ▶ Novation of the end leg upon confirmation of settlement of the start leg.
 - ▶ Settlement of end leg.
 - ▶ Repo interest payments and collections; which would be paid daily on the tri-party repo platform other than on end leg settlement date.
 - ▶ Transaction processing fees
 - ▶ Minimum margin requirements (when applicable)

SPONSORED GC CIL ELIGIBLE COLLATERAL TYPES & GENERIC CUSIPS

- ▶ At this time, only Sponsored GC Generic CUSIPs where the underlying collateral are U.S. Treasuries can be executed, submitted and cleared in a Sponsored GC CIL Omnibus Account.
- ▶ Sponsored GC CIL Trades will be submitted using the following Sponsored GC Generic CUSIPs:

CUSIP	Description
84910LAA4	U.S. TREAS W/LESS THAN 30 YR MATURITY
84910LAH9	U.S. TREASURY INFLATION PROTECTED SECURITIES (TIPS)
84910LAJ5	U.S. TREASURY STRIPS
84910LAB2	U.S. TREAS W/LESS THAN 10 YR MATURITY

SPONSORED GC CIL ACCOUNT SETUP AT FICC

- ▶ Sponsoring Members would open a new Sponsored GC CIL Omnibus Account for Sponsored GC CIL Trades.
 - ▶ No other activity would be recorded in this Account.
 - ▶ An existing Sponsoring Member Omnibus Account cannot be converted to a Sponsored GC CIL Omnibus Account, nor can a Sponsored GC CIL Omnibus Account be later converted to a Sponsoring Member Omnibus Account.
- ▶ Sponsoring Members can have multiple Accounts for the Sponsored Service, and can open any number of these Account types:
 - ▶ Sponsoring Member Omnibus Account (for DVP sponsored activity and Sponsored GC Trades); and
 - ▶ Sponsored GC CIL Omnibus Account (for Sponsored GC CIL Trades)
- ▶ Sponsored GC CIL Omnibus Accounts must be set up as:
 - ▶ Account Type: Customer
 - ▶ Margin Segregation: Non-Segregated
- ▶ Sponsoring Members may select a Done-With, Done-Away or both Done-With and Done-Away trading model for their Sponsored GC CIL Omnibus Account(s).
- ▶ Trade execution by joint accounts of CIL GC Funds Lenders will be permitted.

- ▶ After trade execution, both the CIL Funds Lender and GC Funds Borrower will submit their trade sides to the tri-party repo platform for matching.
- ▶ Sponsored GC CIL Trades are submitted with an initial haircut of 2% (haircut is posted in tri-party).
- ▶ After the trade matches at a Sponsored GC Clearing Agent Bank, both sides of the Sponsored GC CIL Trade will be submitted to FICC.
 - ▶ Submitters of Sponsored GC CIL Trades must leverage the MT515 Trade Instruct for input:
 - ▶ For a done-with Sponsored GC CIL Trade, both sides will be submitted by the Sponsoring Member.
 - ▶ For a done-away Sponsored GC CIL Trade, the Sponsored Member side will be submitted by its Sponsoring Member, and the contra side of the trade will be submitted by the Done-away Counterparty.
- ▶ Sponsoring Members must include the Sponsored Member's symbol in the Executing Firm field on their trade submission to FICC.
- ▶ For done-away Sponsored GC CIL Trades, the Done-away Counterparty is not required to submit the CIL Funds Lender's identifier in the Contra Executing Firm field on their MT515 trade submissions to FICC, but it is highly recommended that they do so.
- ▶ Done-away Counterparty must include identical reference numbers on their trade submissions to the tri-party repo platform and FICC.

- ▶ Sponsored GC CIL Trades will settle on a trade-for-trade basis on the tri-party repo platform between the CIL Funds Lender and the GC Funds Borrower.
- ▶ Novation to FICC of the end leg of a Sponsored GC CIL Trade will occur at the time when all the following criteria have been met:
 - ▶ CIL Funds Lender and GC Funds Borrower on the Sponsored GC CIL Trade submit their sides of the trade to the tri-party repo platform.
 - ▶ CIL Funds Lender's side of the Sponsored GC CIL Trade has been submitted to GSD RTTM web via the Sponsoring Member's Sponsored GC CIL Omnibus Account within the established timeframes.
 - ▶ GC Funds Borrower (Collateral Provider) on the Sponsored GC CIL Trade submits matching trade details to GSD RTTM web and the trades are deemed compared within established timeframes.
 - ▶ GC Funds Borrower submits its trade to GSD RTTM web with a reference number that is identical to the Dealer Reference on the trade that is submitted to the tri-party repo platform.
 - ▶ The tri-party repo platform provides FICC with reporting of the fully settled Sponsored GC CIL Trades and their allocations.
- ▶ Only the end leg of a Sponsored GC CIL Trade can be Novated at FICC.
- ▶ Upon confirmation of the settlement of the start leg of a Sponsored GC CIL Trade, FICC would provide output confirming that the end leg of the trade has been Novated.

PROPOSED SPONSORED GC CIL DONE-WITH TRADE FLOW

Trade Submission to a Sponsored GC Clearing Agent Bank's Tri-party Repo Platform



Note:

For done-with activity, the Borrower is a Sponsoring Member. The reference number used on the trade submission to the Tri-party Repo Platform must be identical to the master reference number submitted on the Sponsored GC Trade in FICC GSD RTTM Web for the trade to novate.

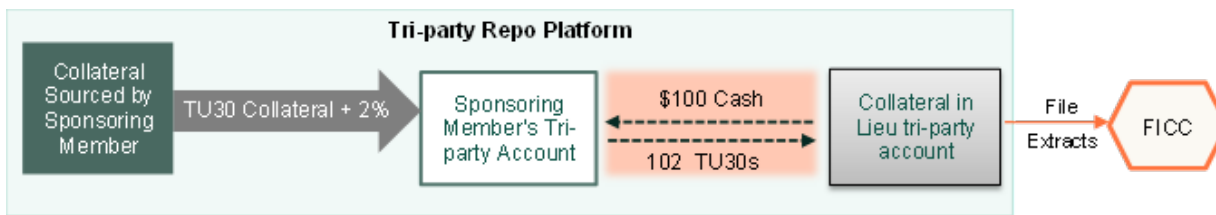
Trade Submission to FICC



Note:

The master reference number on the Sponsored GC CIL Trade submitted to FICC GSD RTTM Web must be identical to reference number on the trade that is submitted to the Tri-party Repo Platform for the trade to novate.

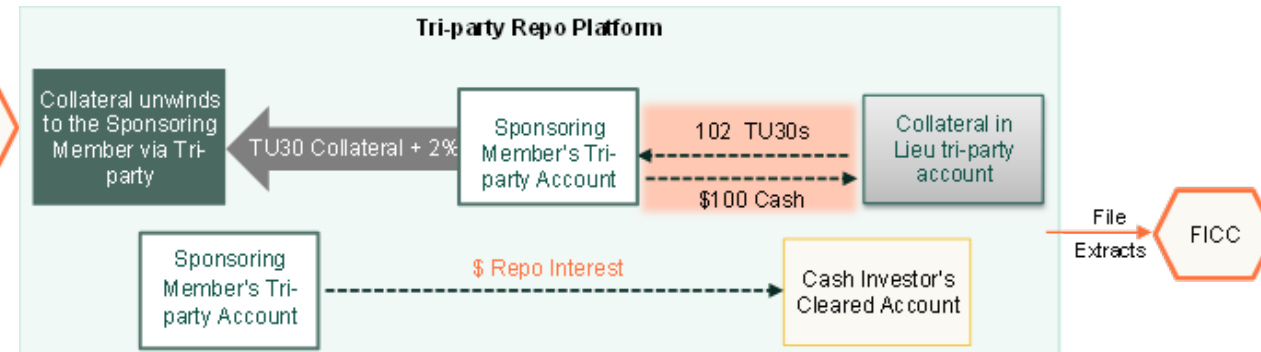
Start Leg Settlement - Sponsored GC Clearing Agent Bank's Tri-party Repo Platform



Note:

- An Initial Haircut ("CIL Required Haircut") is required on all Sponsored GC CIL Trades.
- Operationally, Sponsored GC CIL Trades will be submitted, settled and novated in the same manner as Sponsored GC Trades.
- All Sponsored GC CIL Trades settle on the Sponsored GC Clearing Agent Bank's Tri-party Repo Platform. The Cash Investor's account where the settlement occurs would be subject to an appropriate legal agreement ("CIL Custodial Agreement Supplement") and lien language.

End Leg Settlement - Sponsored GC Clearing Agent Bank's Tri-party Repo Platform



PROPOSED SPONSORED GC CIL DONE-AWAY TRADE FLOW

Trade Submission to a Sponsored GC Clearing Agent Bank's Tri-party Repo Platform



Note:

For done-away activity, the Borrower (Done-away Counterparty) is either the Done-away Netting Member or an intermediary acting on behalf of an Indirect Participant. The reference number used on the trade submission to the Tri-party Repo Platform must be identical to the master reference number submitted on the Sponsored GC Trade in FICC GSD RTTM Web for the trade to novate.

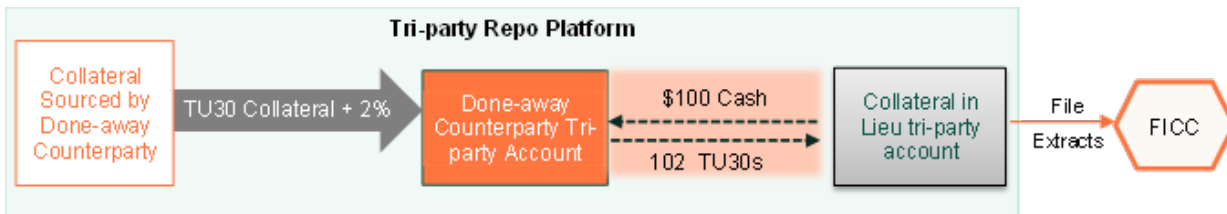
Trade Submission to FICC



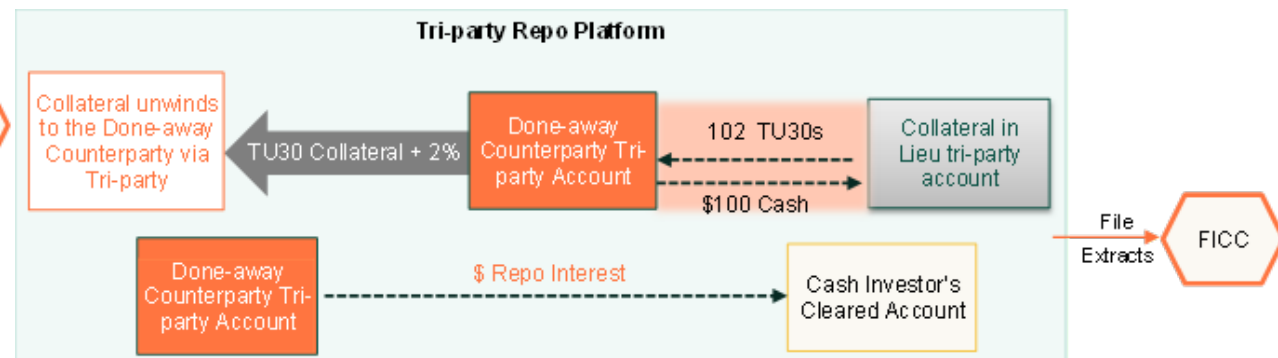
Note:

The master reference number on the Sponsored GC CIL Trade submitted to FICC GSD RTTM Web must be identical to reference number on the trade that is submitted to the Tri-party Repo Platform for the trade to novate.

Start Leg Settlement - Sponsored GC Clearing Agent Bank's Tri-party Repo Platform



End Leg Settlement - Sponsored GC Clearing Agent Bank's Tri-party Repo Platform



Note:

- An Initial Haircut ("CIL Required Haircut") is required on all Sponsored GC CIL Trades.
- Operationally, Sponsored GC CIL Trades will be submitted, settled and novated in the same manner as Sponsored GC Trades.
- All Sponsored GC CIL Trades settle on the Sponsored GC Clearing Agent Bank's Tri-party Repo Platform. The Cash Investor's account where the settlement occurs would be subject to an appropriate legal agreement ("CIL Custodial Agreement Supplement") and lien language.



Accrued GC Daily Repo Interest that is due on the end leg settlement date of the Sponsored GC CIL Trade will settle along with the end leg.



Consistent with the way in which tri-party repo transactions are settled today outside of central clearing, the end leg of Sponsored GC CIL Trades will settle on a trade-for-trade basis on the tri-party repo platform between the CIL Funds Lender and the GC Funds Borrower.

Risk Management of Sponsored GC CIL Trades

- ▶ All Sponsored GC CIL Trades must have a haircut (“CIL Required Haircut”), which would be initially set at no less than 2%. FICC can utilize the haircut to cover any losses it incurs because of the liquidation of a Sponsored GC CIL Trade.
- ▶ FICC would not collect margin from the CIL Funds Lender or its Sponsoring Member with respect to the CIL Funds Lender’s side of the Sponsored GC CIL Trade unless the Sponsoring Member:
 - ▶ Enables done-with trading activity in its Sponsored GC CIL Omnibus Account; and
 - ▶ Has (or one of its affiliated entities has) a Segregated Indirect Participant’s Account (either a Sponsoring Member Omnibus Account or an Agent Clearing Member Omnibus Account) at GSD.
- ▶ “In lieu” of collecting margin on Sponsored GC CIL Trades, FICC would require that the CIL Funds Lender allow FICC to have a lien on the U.S. Treasury securities sold to the CIL Funds Lender as part of the settlement of the start leg of the repo transaction.
- ▶ Sponsoring Members that execute “done-with” activity and have (or their affiliated entities have) a Segregated Indirect Participant Omnibus Account would be required to make a Clearing Fund deposit with respect to their Sponsored GC CIL Trades (herein, the “Sponsored GC CIL Omnibus Account Required Fund Deposit”).
- ▶ The Sponsored GC CIL Omnibus Account Required Fund Deposit would be the minimum charge of \$1 million or the sum of applicable charges, which ever is greater. Applicable charges may include a VaR Charge (with respect to each CIL Funds Lender, the VaR Charge is the positive difference between the VaR Charge and CIL Required Haircut), Portfolio Difference Charge, Backtesting Charge, Holiday Charge, Margin Liquidity Adjustment Charge and Intraday Supplemental Deposit.

- ▶ In the event of the default of the Sponsoring Member or the CIL Funds Lender, the lien would permit FICC to facilitate settlement of any outstanding Sponsored GC CIL Trades, unless both:
 - ▶ the trade was “done-with” (i.e., the Sponsoring Member is the borrower); and either (x) the Sponsoring Member did not onward lend the cash in another FICC-cleared trade, or (y) the Sponsoring Member on-lent the cash to another of its own customers in a done-with trade or facilitated a done-away trade with another of its own customers, and
 - ▶ the Sponsoring Member’s insolvency trustee/receiver prohibits FICC from completing settlement through the Sponsoring Member.
- ▶ As a result, if a CIL Funds Lender engages exclusively in done-away Sponsored GC CIL Trades with Done-away Counterparties or engages in done-with Sponsored GC CIL Trades but requires its Sponsoring Member’s done-with counterparty to onward lend only to other Netting Members or Indirect Participants, the CIL Funds Lender would have certainty that its Sponsored GC CIL Trades would settle even in the event of a Sponsoring Member’s or GC Funds Borrower’s default.
- ▶ Sponsored GC CIL Trades would still be subject to the same liquidity risk management as Sponsored GC Trades are today.
 - ▶ Sponsoring Members using the CIL service would have the same type of loss allocation obligations and Capped Contingency Liquidity Facility (CCLF) obligations that Sponsoring Members have today.

- ▶ Currently, Sponsoring Members are obligated to pay to / collect from FICC the Funds-Only Settlement Amount, which are Forward Mark Adjustment Payment and Interest Adjustment Payment, associated with Sponsored GC Trades.
 - ▶ Forward Mark Adjustment Payment (GC Interest Rate Mark) is collected/paid to mitigate the financing risk on term trades by calculating the difference between the Contract Repo Rate versus System Repo Rate.
 - ▶ Interest Adjustment Payment is the interest calculated on the Forward Mark Adjustment Payment that was collected from/paid to a Member through the previous Funds-Only Settlement cycle.
- ▶ In a default scenario, where FICC would liquidate a Defaulting Member's positions, the collection of the Interest Adjustment Payment and Forward Mark Adjustment Payment associated with the Defaulting Member's Sponsored GC Trades would ensure that FICC and the Defaulting Member's counterparty are made whole if losses are incurred because of a liquidation.
- ▶ In light of FICC's lien on the securities collateral of the CIL Funds Lender, FICC proposes to eliminate the need to collect/pay a Funds-Only Settlement Amount on Sponsored GC CIL Trades from the Sponsoring Member (or its Sponsored Member as CIL Funds Lender).
 - ▶ Lien eliminates FICC's need to source collateral to unwind a trade in the event of a CIL Funds Lender default.
- ▶ FICC would still collect a Funds-Only Settlement Amount from the GC Funds Borrower.
 - ▶ FICC is still subject to financing risk on the GC Funds Borrower's term trade, in the event of a GC Funds Borrower default.

Benefits of FICC's Sponsored GC Service Expansion

BENEFITS OF FICC'S SPONSORED GC SERVICE EXPANSION



Sponsoring Members and their Sponsored Members benefit from FICC's independent risk management practices and the guarantee of completion of settlement of their trading activity.



In addition, Sponsoring Members may receive balance sheet relief and take lesser capital charges than would be required to the extent they engaged in the same trading activity with their Sponsored Member clients outside of a central counterparty.



FICC's lien eliminates the need for a Sponsoring Member to guarantee the CIL Funds Lender's obligations under a Sponsored GC CIL Trade, thereby reducing the Sponsoring Member's regulatory capital requirements and lowering its costs associated with providing the CIL Funds Lender with indirect access to FICC's clearance and settlement services.



The offerings of this Sponsored GC service expansion will facilitate greater access to central clearing and create additional liquidity in the market by increasing lending capacity.



By facilitating greater access to central clearing, FICC believes enabling more repo transactions to clear through one its access models, mitigates the risk of a large-scale exit by institutional firms from the U.S. financial market in a stress scenario and therefore lowers the risk of a liquidity drain and, also market disruption from fire sales in such a scenario.



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