

DTCC

FICC GSD Agent Clearing Service (ACS) Tri-party Repo

DATE: October 2025

DEPARTMENT: FICC Product Management

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- ▶ In 2024, FICC consolidated its existing correspondent clearing and prime broker services into a single Agent Clearing Service (ACS).
- ▶ As an expansion of its tri-party repo service offerings, the proposed ACS Tri-party Service would offer FICC cleared tri-party repo services to Agent Clearing Members and their Executing Firm Customers.
- ▶ The Agent Clearing Member, as processing agent, can submit eligible tri-party repo transactions executed between its Executing Firm Customer and any of the following: the Agent Clearing Member itself (“done-with”), another GSD Netting Member or any GSD Netting Member’s Indirect Participant (“done-away”).
- ▶ ACS Tri-party Trades may be submitted into the same Agent Clearing Member Omnibus Account that has been established for DVP activity.
- ▶ Executing Firm Customers are represented in FICC’s systems by the executing firm symbols and mapped to the relevant Agent Clearing Member(s), and must specifically authorize their Agent Clearing Member(s) to submit Agent Clearing Transactions to FICC for clearing on their behalf. The same executing firm symbol should be used for both an Executing Firm Customer’s ACS DVP and ACS Tri-party Repo activity, where applicable.

- ▶ The ACS Tri-party service would utilize much of the existing Sponsored GC Service's legal framework and operational framework.
 - ▶ Trade execution between an ACS Tri-party Funds Lender and an ACS Tri-party Funds Borrower would be completed away from FICC between the two counterparties.
 - ▶ An ACS Tri-party Trade may, but would not be required to, have an Initial Haircut.
 - ▶ The existing FICC fee structure applicable to Sponsored GC Trades would be applied to ACS Tri-party Trades.
 - ▶ Same operational mechanics for trade processing as the Sponsored GC Service, including:
 - ▶ Trade submission, validation and matching
 - ▶ Trade settlement on a trade-for-trade basis (i.e., no settlement netting)
 - ▶ Only the End Leg of the repo would be eligible for novation upon confirmation of the settlement of the Start Leg
 - ▶ Settlement occurs on an ACS Tri-party Clearing Agent Bank's platform
 - ▶ Repo interest payment and collection
 - ▶ Trade submission and settlement timeframe

BENEFITS OF ACS TRI-PARTY REPO

- ▶ 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.
- ▶ Agent Clearing Members may benefit from a potential reduction in capital requirements and balance sheet relief that may not be available to the same extent the Agent Clearing Members were to engage in the same trading activity with their Executing Firm Customers outside of FICC.
- ▶ Agent Clearing Members may 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.

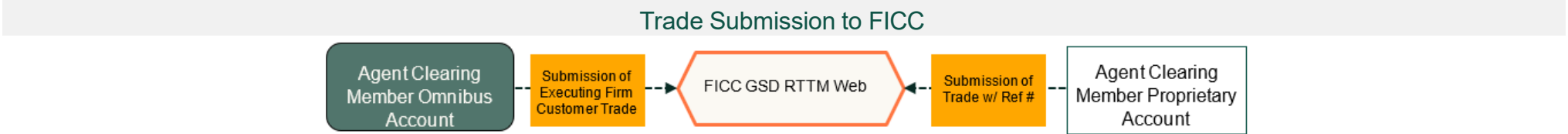
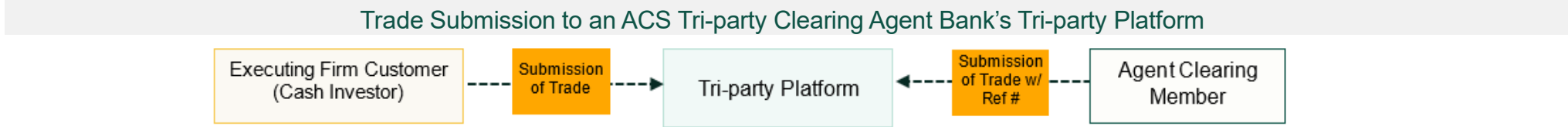
- ▶ Agent Clearing Member Eligibility Requirements:
 - ▶ Agent Clearing Member applicants must:
 - ▶ Be a GSD Netting Member*
 - ▶ Be domiciled in a FICC-approved jurisdiction
 - ▶ Have sufficient financial ability to make anticipated required deposits to the Clearing Fund and Funds-Only Settlement Amounts
 - ▶ Demonstrate operational readiness
 - ▶ Establish an Agent Clearing Member Omnibus Account for its Executing Firm Customers' positions arising from the Executing Firm Customers' trades, which is separate from the Agent Clearing Member's Proprietary Account.
- ▶ Executing Firm Customer Eligibility Requirements:
 - ▶ Executing Firm Customers are not members of FICC. Executing Firm Customers must have at least one Agent Clearing Member willing to act in such capacity on their behalf to participate in the service.

*An IDB Netting Member can only be an Agent Clearing Member if it also joins GSD as a Dealer Netting Member and opens a Dealer Account at GSD.

AGENT CLEARING SERVICE REPO DONE-WITH TRADE FLOW



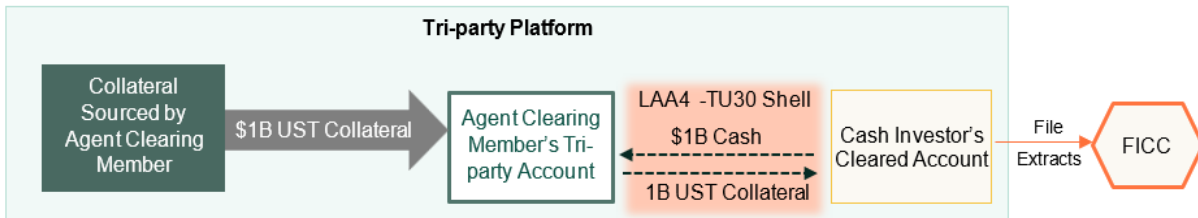
*Haircuts are permitted but not required.



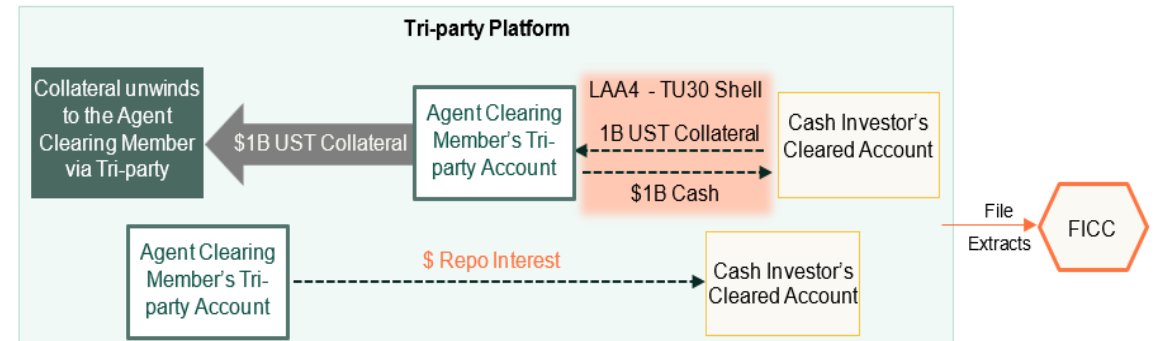
Note:

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

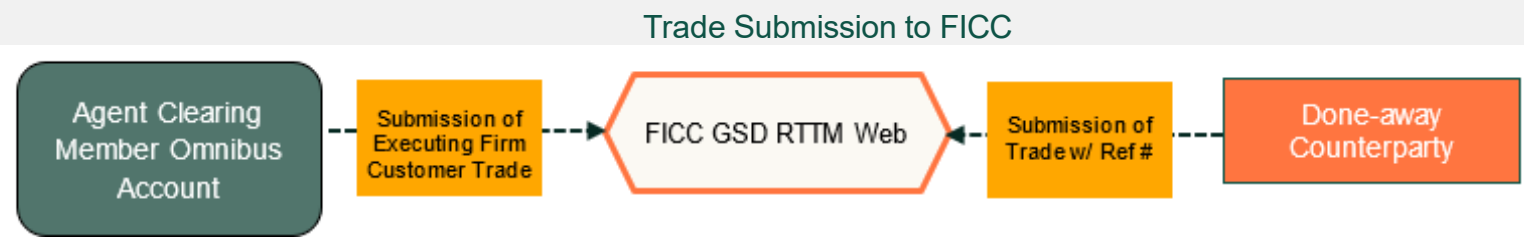
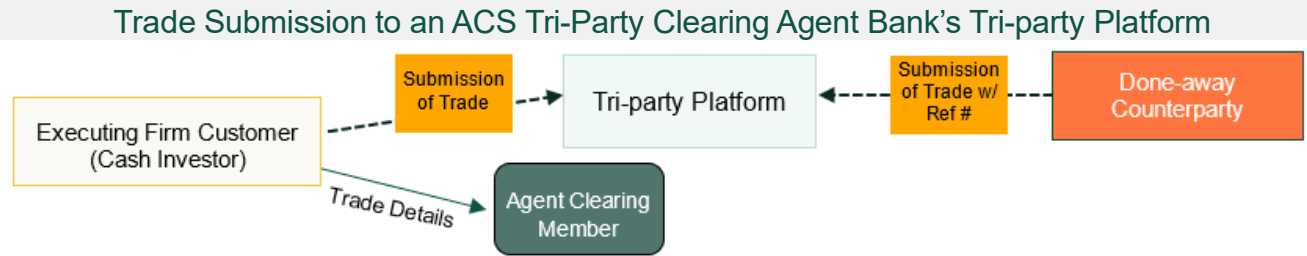
Start Leg Settlement on ACS Tri-party Clearing Agent Bank's Tri-party Platform



End Leg Settlement on ACS Tri-party Clearing Agent Bank's Tri-party Platform



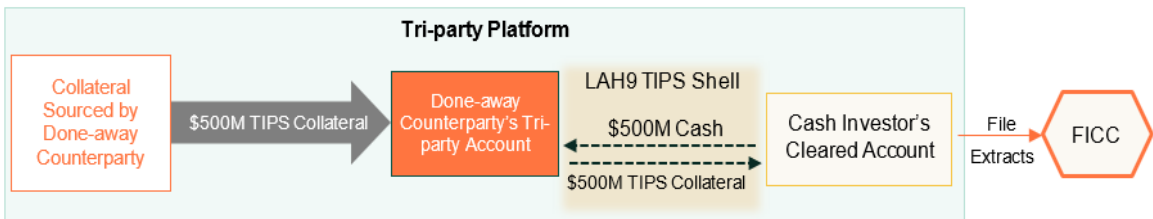
AGENT CLEARING SERVICE REPO DONE-AWAY TRADE FLOW



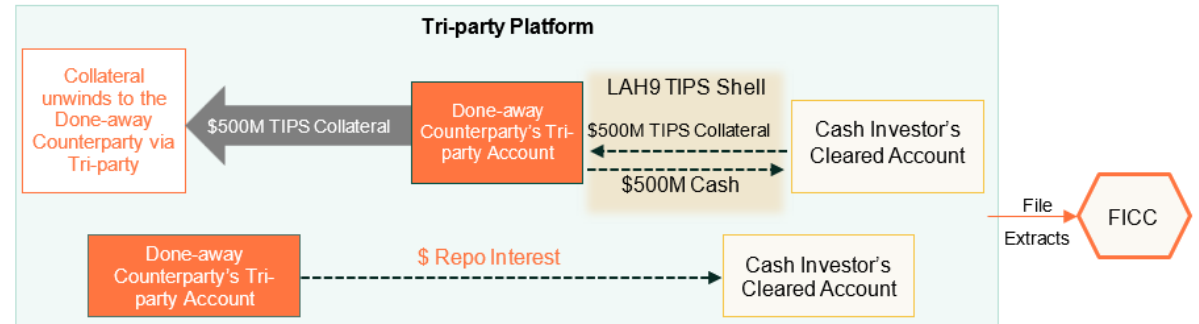
Note:

The reference number used on the trade submission to the tri-party platform must be identical to the master reference number submitted on the ACS Tri-party Trade in FICC GSD RTTM Web for the trade to novate. This applies to the Done-away Counterparty's (either a Done-away Netting Member or intermediary of an Indirect Participant) trade submission. Also, this flow is based on an overnight ACS Tri-party Trade where the repo interest is paid with the settlement of the end leg.

Start Leg Settlement on ACS Tri-party Clearing Agent Bank's Tri-party Platform



End Leg Settlement on ACS Tri-party Clearing Agent Bank's Tri-party Platform



ACS TRIPARTY GENERIC CUSIPS

- ▶ ACS Triparty Repo trade submissions will utilize the same Schedule of GC Comparable Securities as that of the Sponsored GC Service.

GC CUSIP Number	Description
84910LAB2	U.S. Treasuries < 10 Yr Maturity
84910LAA4	U.S. Treasuries < 30 Yr Maturity
84910LAC0	Non-Mortgage Backed U.S. Agency Securities
84910LAD8	Fannie Mae and Freddie Mac Fixed Rate Mortgage-Backed Securities
84910LAE6	Fannie Mae and Freddie Mac Adjustable Rate Mortgage-Backed Securities
84910LAF3	Ginnie Mae Fixed Rate Mortgage-Backed Securities
84910LAG1	Ginnie Mae Adjustable Rate Mortgage-Backed Securities
84910LAH9	U.S. Treasury Inflation Protected Securities (“TIPS”)
84910LAJ5	U.S. Treasury STRIPS

AGENT CLEARING SERVICE RISK CONSIDERATIONS

- ▶ Agent Clearing Members 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 that Account; or
 - ▶ A Segregated Indirect Participant Account: margin for each Executing Firm Customer (“Segregated Indirect Participant”) is calculated separately (i.e., on a *gross basis*) and must be collected from the Executing Firm Customer by the Agent Clearing Member, in accordance with the GSD Rules regarding Segregated Indirect Participants Accounts (GSD Rules 2B and 4).
- ▶ Agent Clearing Members are responsible for satisfying any Required Fund Deposit or Segregated Customer Margin and any Funds-Only Settlement (FOS) obligations attributed to its Executing Firm Customers’ activity, as if it had executed such activity itself.
- ▶ There are two components of FOS that are applicable to the ACS Triparty 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.

- ▶ 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.
- ▶ Agent Clearing Members are responsible for all FICC fees associated with its Executing Firm Customer(s) activity.
- ▶ An ACS Tri-party Clearing Agent Bank on FICC's behalf administers the collection of repo interest on a daily basis between the ACS Tri-party Funds Borrower and the ACS Tri-party Funds Lender.

- ▶ Agent Clearing Members may use an existing Agent Clearing Member Omnibus Account for ACS Tri-party Trades.
- ▶ Agent Clearing Member who wants to post Segregated Customer Margin must set up a Segregated Indirect Participants Account.
- ▶ Agent Clearing Member Omnibus Accounts must be set up as:
 - ▶ Account Type: Customer
 - ▶ Margin Type: Non-Segregated or Segregated
- ▶ Agent Clearing Members may select done-with, done-away or both done-with and done-away trading model for their Agent Clearing Member Omnibus Account or Segregated Indirect Participants Account.
- ▶ Existing executing firm symbols for Executing Firm Customers should be used for both ACS DVP Repo and ACS Tri-party Trades.



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