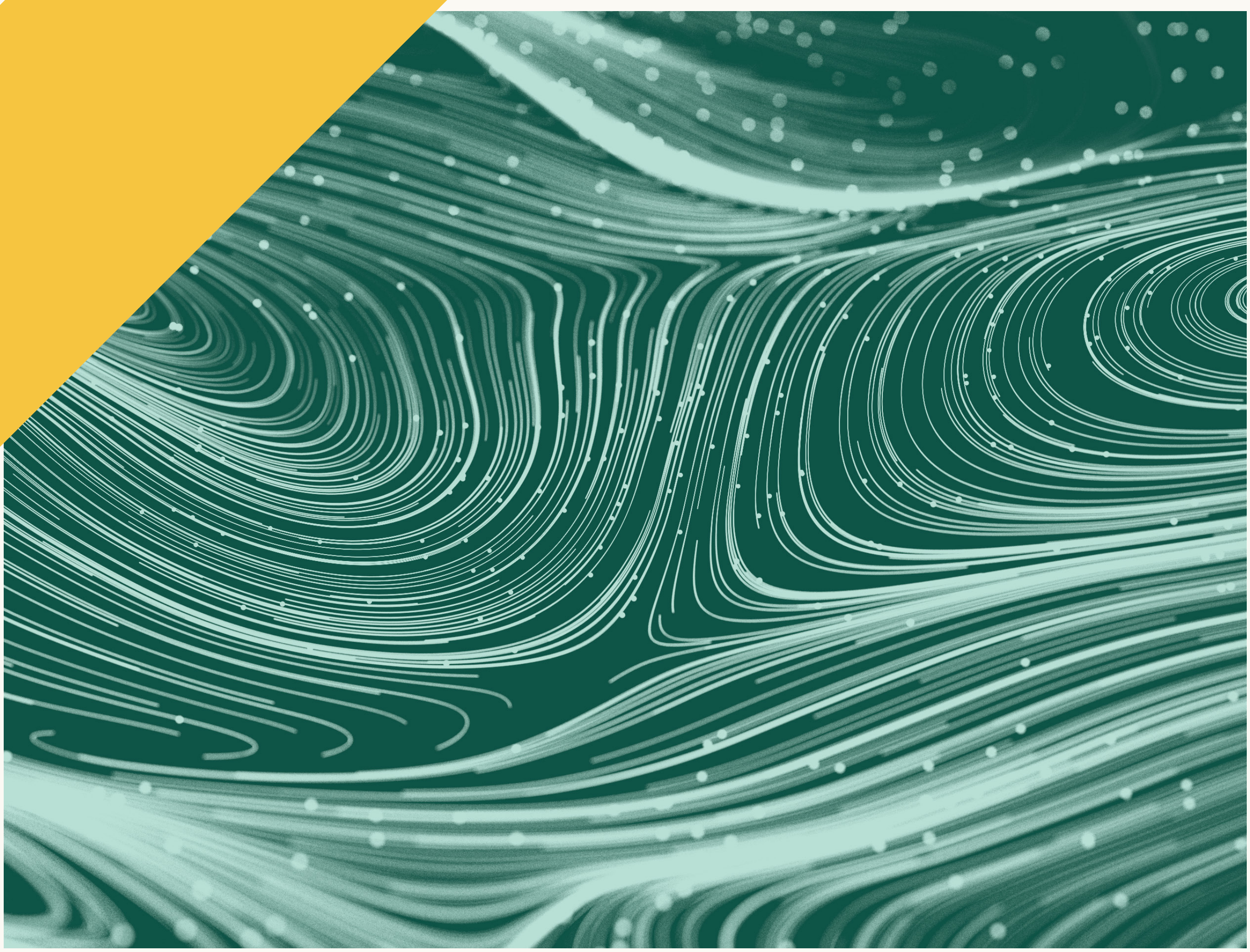
SEPTEMBER 2023

Looking to the Horizon: Assessing a Potential Expansion of U.S. Treasury Central Clearing

A DTCC WHITE PAPER TO THE INDUSTRY



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DEAR COLLEAGUES,

The U.S. Treasury Market is the largest and most liquid sovereign debt market in the world, with transactions cleared through DTCC's Fixed Income Clearing Corporation (FICC) that exceeded $1.5 quadrillion annually in 2022. Treasuries, which are backed by the "full faith and credit" of the U.S. government, are widely held and actively traded by institutional investors, central banks, corporations, individuals, and many other private and public institutions. Because the Federal Reserve uses the U.S. Treasury Market as a key tool to implement monetary policy and the federal government relies on the sale of Treasuries to finance essential services, the smooth and uninterrupted functioning of these markets is critically important to the strength and stability of the entire U.S. economy.

The Federal Reserve and several large firms across the industry voiced strong concerns almost 40 years ago about the safety and soundness of the existing processes for clearing and settling U.S. government securities transactions, including the risks associated with the failure of a few major firms, the inefficiencies of manual paper processing of trade confirmations, and bilateral trade-for-trade settlement. In response, the Government Securities Clearing Corporation (GSCC), the predecessor to the current Government Securities Division (GSD) of FICC, was established in 1986 as an industry utility to provide for the clearing and settlement of U.S. government securities transactions. As the central counterparty (CCP) for U.S. government securities, FICC's GSD provides real-time trade matching, novation, risk management, netting and settlement services for transactions in U.S. government debt securities, including repurchase agreements or repos. Securities transactions processed by the GSD include transactions in Treasury bills, bonds, notes, zero-coupon securities, fixed rate government agency securities and inflation-indexed Treasury securities, as well as agency mortgage-backed securities in its General Collateral Finance Repo (GCF Repo®) and Sponsored General Collateral (GC) Services.[1]

In the face of several recent and notable instances of market volatility, the U.S. Securities and Exchange Commission (SEC) in September 2022 issued a proposal[2] intended to further strengthen the resilience of the U.S. Treasury Market by expanding the use of central clearing. The SEC's Treasury clearing proposal is intended to provide market-wide benefits such as standardized risk management, reduced settlement risk, centralized default management and increased transparency.

To facilitate greater industry discussion and public sector understanding of the potential impacts of the SEC's Treasury clearing proposal, earlier this year we conducted a voluntary, anonymous, in-depth 35-question survey of market participants. The survey was completed by a variety of buy-side and sell-side institutions, representing FICC / GSD Netting Members as well as sponsored member and non-member firms. FICC would like to thank the firms who completed the survey and provided feedback. The survey data and the insightful comments from our respondents – combined with the cleared Treasury activity data FICC has available today – constitute a unique and fruitful opportunity to better inform FICC and other interested parties across the market and the public sector and to aid us in evaluating more deeply the potential implications of the SEC's proposal to expand central clearing in the U.S. Treasury Market.

We look forward to feedback on this report from our members, their clients, the broader market and our public sector stakeholders.

Laura Klimpel
DTCC's General Manager of Fixed Income Clearing Corporation
and Head of SIFMU Business Development

[1] FICC is a wholly owned subsidiary of DTCC. Created to protect market stability and maximize value for the industry, DTCC is a non-public, not-for-profit holding company that owns three registered clearing agencies. In addition to FICC, DTCC also owns DTC, the world's largest central securities depository and a SEC-registered clearing agency for the settlement of securities transactions for eligible securities and other financial assets, and NSCC, a SEC-registered clearing agency and CCP that provides clearing, netting, settlement, risk management and CCP services for trades involving equities, corporate and municipal debt, exchange-traded funds, and unit investment trusts in the U.S. Through its holding company structure and governance, FICC is user-owned and governed by the very market participants that it serves. Specifically, the common stock of DTCC is owned by the financial institutions that are participants of its three registered clearing agency subsidiaries, FICC, DTC and NSCC.

DTCC's and FICC's boards of directors are primarily composed of representatives of the clearing agency participants, including buy- and sell-side market participants, as well as representatives from other self-regulatory organizations and independent directors. FICC is regulated by the U.S. Securities and Exchange Commission, and, under the Dodd-Frank Act, is overseen by the Board of Governors of the Federal Reserve System. Pursuant to applicable federal securities law regulations, FICC GSD's rules and procedures are publicly available on its website at https://www.dtcc.com/~/media/Files/Downloads/legal/rules/ficc_gov_rules.pdf.

[2] U.S. Securities and Exchange Commission: https://www.sec.gov/files/rules/proposed/2022/34-95763.pdf

Section I: Executive Summary

Currently, U.S. Treasury Market activity is split between two disparate clearing processes: bilaterally cleared transactions and centrally cleared transactions via DTCC's Fixed Income Clearing Corporation (FICC). Following several notable instances of market volatility, which were particularly acute in the repo market in late 2019 and at the start of the COVID-19 pandemic in early 2020, the U.S. Securities and Exchange Commission (SEC) proposed a number of new regulations across various aspects of the U.S. Treasury Market.[3] Among those regulatory initiatives was a proposal in September 2022 to expand the role of central clearing in the U.S. Treasury Market, with the stated policy goal of further strengthening resilience and risk management (the "Expanded Clearing Proposal").[4]

As currently written, the Expanded Clearing Proposal would require that a significantly larger portion of the U.S. Treasury cash and repo markets (both bilateral and tri-party repo) be centrally cleared through an SEC-regulated covered clearing agency that clears Treasury transactions. Since FICC currently serves as the sole central counterparty (CCP) for outright purchases and sales and repo transactions in U.S. Treasury securities, the immediate effect of this requirement could be that firms either need to become direct members of FICC or clear through another FICC member.

ABOUT THIS RESEARCH REPORT

To facilitate greater discussion and understanding of the potential impacts of the Expanded Clearing Proposal, FICC conducted a voluntary, in-depth survey of U.S. Treasury Market participants in Q2 2023. The survey was completed by a variety of buy-side and sell-side institutions, representing both current FICC / GSD Netting Members and sponsored members, as well as non-member firms.[5]

The survey data collected was combined, where relevant, with insights from the data that FICC has available on currently cleared Treasury activity, to present a more complete picture of both the current and potential future state of central clearing, and what the cleared U.S. Treasury Market could look like if the Expanded Clearing Proposal were adopted.

KEY FINDINGS FROM THE RESEARCH

With centrally cleared indirect participant Treasury activity anticipated to increase by approximately $1.63 trillion daily, the size and impact of this undertaking cannot be underestimated. Survey respondents indicated in their feedback significant gaps in market awareness and understanding of FICC's access models, risk tools and capabilities. To ensure a successful implementation should the Expanded Clearing Proposal be adopted, these gaps must be addressed. At the same time, DTCC will continue to evaluate enhancements to its services and methodologies to support the industry and deliver increased value. Specific findings include:

Key Finding #1: Under the Expanded Clearing Proposal, FICC expects approximately $1.63 trillion daily in incremental indirect participant Treasury activity ($500 billion of Repo, $520 billion of Reverse Repo and $605 billion of cash trades) to come into clearing.

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[3] U.S. Securities and Exchange Commission, "SEC Proposes Rules to Include Certain Significant Market Participants as "Dealers" or 'Government Securities Dealers'" (March 28, 2022), https://www.sec.gov/news/press-release/2022-54; U.S. Securities and Exchange Commission, "SEC Proposes Amendments to Include Significant U.S. Treasury Market Platforms Within Regulation ATS" (Jan. 26, 2022), https://www.sec.gov/news/press-release/2022-10.

[4] U.S. Securities and Exchange Commission: https://www.sec.gov/files/rules/proposed/2022/34-95763.pdf

[5] Please see Section II for methodology and demographics of survey respondents.

Key Finding #2: FICC's various access models and available services are not broadly understood, and a majority of FICC members remain unsure which of FICC's access models they want to use for the indirect participant activity. Specifically, 52% indicated they were unsure as it relates to Treasure Reverse Repo and Treasury Repo activity and 58% indicated they were unsure as it relates to indirect participant Treasury cash activity.

Key Finding #3: FICC expects that the incremental indirect participant Treasury volume could result in a corresponding increase in Value at Risk (VaR) margin, which it conservatively estimates could be approximately $26.6 billion across the FICC / GSD membership. The estimates assume that all incremental indirect participant activity clears through one of FICC's Gross Margin models. The estimates could potentially decrease if the activity were cleared through one of FICC's Net Margin models.

Key Finding #4: Findings are inconclusive about the potential impact of the incremental indirect participant Treasury volume on FICC's liquidity needs or its Capped Contingent Liquidity Facility® (CCLF®).

Key Finding #5: Respondents suggested a variety of enhancements to FICC's offerings in connection with the potential expansion of central clearing of Treasury activity. Some of these suggestions are risk-focused, such as including enhanced cross-margining opportunities (particularly for indirect participants) as well as increasing transparency of margin and CCLF calculations, and enhanced reporting tools related to FICC's risk management processes. Other suggestions are operations-focused, such as making enhancements to FICC's novation processes and windows of operation.

Section II: Survey Methodology and Demographics

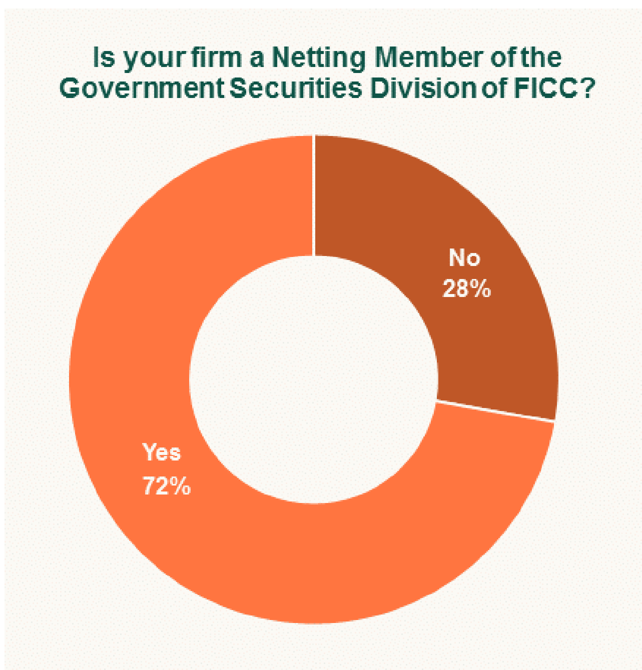
FICC conducted a voluntary, anonymous, 35-question survey of market participants over a two-month period between April 25 and June 30, 2023. The online survey was distributed by email to 229 firms who were identified as FICC's clients as well as trade associations representing various segments of market participants. FICC collected 72 completed responses (a 31% response rate). Respondents were directed to answer a series of questions in the survey based on whether or not they identified as a FICC / GSD Netting Member.

To avoid the collection of duplicative information, quantitative questions (regarding, for example, anticipated incremental volumes, underlying collateral, transaction tenor) were posed only to respondents who identified as FICC / GSD Netting Members. The survey data and responses were analyzed by FICC.

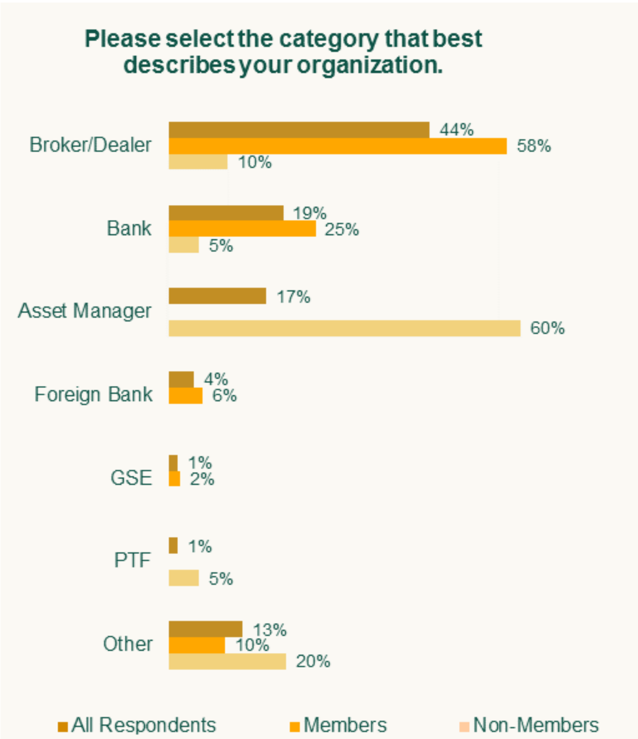
SURVEY DEMOGRAPHICS:

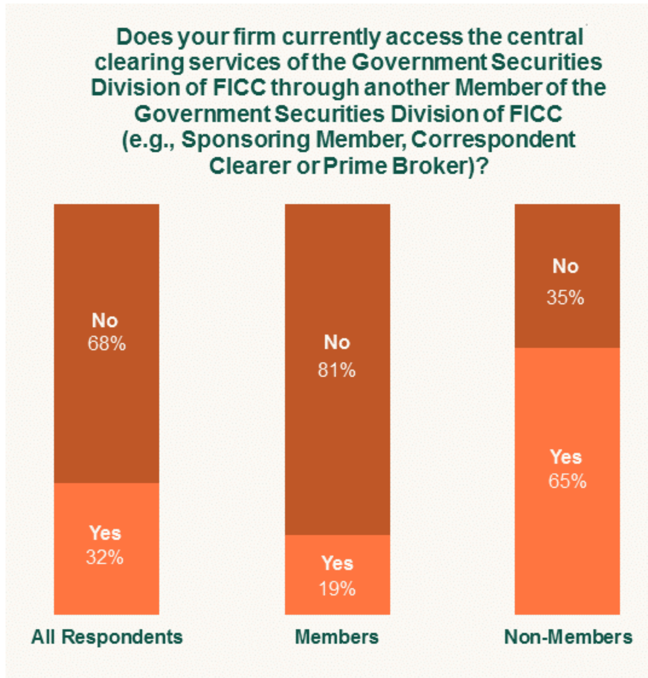
- Respondents were based in the following countries: United States (81%), Japan (6%), UK (6%), Canada (3%), Australia (1%), France (1%), Switzerland (1%), and UAE (1%).

- 72%, or 52 of the respondents identified as FICC / GSD Netting Members; 28%, or 20 of the respondents identified as non-Members (i.e., not GSD Netting Members). *For the remainder of this report, references to "member respondents" refer to respondents who identified as FICC / GSD Netting Members.*



- Respondents included Broker/Dealers (44%), Banks (19%), Asset Managers (17%), Foreign Banks (4%), Government-Sponsored Enterprises (GSEs) (1%), Principal Trading Firms (PTFs) (1%), and other types of firms (13%).
- 32% of respondents access FICC / GSD's central clearing services through another member (e.g., sponsoring member, correspondent clearer or prime broker).





Section III: Summary of the SEC's Expanded Clearing Proposal

The SEC's Expanded Clearing Proposal features several key components that could potentially impact FICC's current operating model, notably the requirement to expand central clearing to activity that currently occurs among participants of the bilateral markets, and related changes to FICC's risk management, particularly with respect to customer margining.

If adopted as proposed, the Expanded Clearing Proposal will transform the role and services FICC offers both to its membership and the broader U.S. Treasury Market.

EXPANSION OF TREASURY CENTRAL CLEARING

The Expanded Clearing Proposal would require a significantly larger portion of Treasury cash and repo activity (both bilateral and tri-party repo) to be submitted to a clearing agency operating as a central counterparty and subject to the SEC's most rigorous operational and risk management standards (a "covered clearing agency").[6] FICC is currently the only covered clearing agency for transactions in Treasury securities and, therefore, the Expanded Clearing Proposal would require that FICC adopt policies and procedures reasonably designed to require its members to submit for central clearing the following secondary market Treasury transactions:

- all repurchase and reverse repurchase agreements collateralized by U.S. Treasury securities entered into by a member of the clearing agency,
- all purchase and sale transactions entered into by a member of the clearing agency that is an interdealer broker, and
- all purchase and sale transactions entered into between a clearing agency member and either a registered broker/dealer, government securities broker, a government securities dealer, a hedge fund, or a particular type of leveraged account.

Furthermore, under the Expanded Clearing Proposal, FICC would be required to facilitate access to central clearing for additional market participants, including those who prefer to access central clearing via indirect participation.

CHANGES TO CUSTOMER ACTIVITY AND MARGINING

The Expanded Clearing Proposal would result in several important changes to FICC's operations and risk management. One area of client and stakeholder focus is on how FICC would be required to handle customer activity and margin.

Today, FICC generally does not require the proprietary or "house" activity of its members to be segregated from the cleared activity of its members' customers on its books and records. This framework is largely driven by a historical desire to prioritize the efficiencies of transaction and margin netting. An important exception to this approach is FICC's sponsored member access model, where the activity of sponsored members must be segregated from the proprietary or house activity of their sponsoring members on FICC's books and records. The sponsored member access model also provides for a separate calculation and collection of gross margin related to the activity of sponsored members with no margin offsets permitted as between different sponsored members' activity or between a sponsored member's activity and the proprietary or house activity of the sponsoring member.

[6] See Exchange Act Rule 17Ad-22(a)(5) and Rule 17Ad-22(e).

Under the Expanded Clearing Proposal, these existing paradigms would change, as the proposal would require FICC to calculate, collect, and hold house and customer margin separately. The Expanded Clearing Proposal would create the option to calculate and collect margin associated with customer activity on a gross or net basis depending on the client clearing model selected by the member, and whether the member is seeking capital relief under the customer protection rules for broker/dealer customers outlined in Exchange Act Rule 15c3-3. Under the Expanded Clearing Proposal, FICC would offer its members and their indirect participant clients a variety of options via different access models that would allow those parties to balance the benefits of netting and segregation in different ways.

Please see Appendix, *"FICC'S Indirect Participant Access Models,"* for more information on how the changes to the segregation rules may be applied to FICC's indirect participant access models (subject to whether and how any final version of the Expanded Clearing Proposal is adopted).

Section IV: Key Findings from the Data and Survey Results

A. FICC's Clearing Access Models and Tools

FICC has deep experience with central clearing, having provided clearing, netting and settlement services to the U.S. Treasury Market since 1986. While FICC has evolved its services and product offerings significantly since its inception almost 40 years ago, that evolution has largely been driven by the specific needs of FICC's then-current membership, rather than in response to regulatory initiatives, such as the impetus after the 2008 financial crisis to move OTC derivatives activity into central clearing.

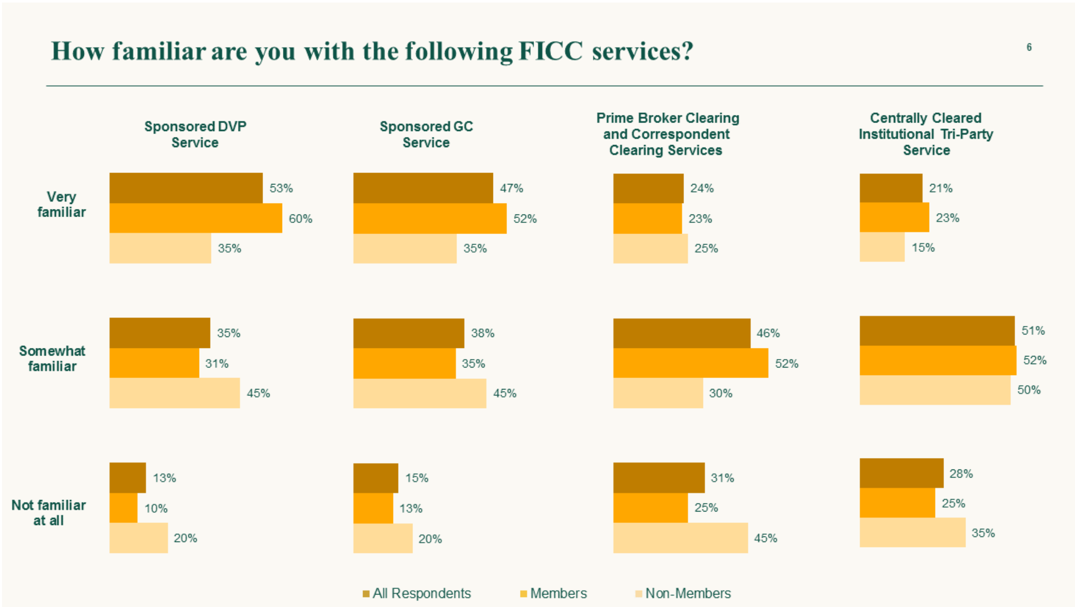
In response to the Expanded Clearing Proposal, whole new swaths of market participants – as others did, post-2008 in the OTC derivatives markets – must consider the implications of central clearing on their businesses in a potentially different manner. This changing dynamic was apparent in the survey results, as responses indicated significant gaps in market awareness and understanding of FICC's access models and available services.

ACCESS MODELS

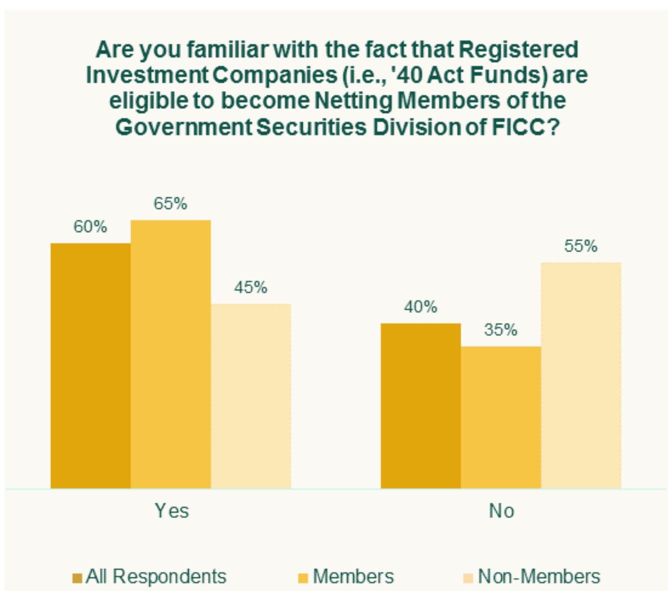
FICC offers a variety of direct and indirect participation models for buy-side and sell-side market participants. The different models allow market participants to access FICC in the way that best meets their business and regulatory needs.

FICC / GSD membership types include Netting Membership, Centrally Cleared Institutional Tri-Party (CCIT™) Service Membership and sponsored membership. Due to their direct relationships with FICC, both Netting Memberships and CCIT™ Memberships are considered direct participation models under the Expanded Clearing Proposal. Sponsored membership, on the other hand, is considered an indirect participation model due to the requirement that a sponsored member access clearing at FICC through at least one sponsoring member relationship. FICC also offers market participants that are not FICC / GSD members indirect access to clearing through an intermediary who participates in either its Prime Broker Clearing or Correspondent Clearing Services.

Each of FICC's indirect access models facilitates both Futures Commission Merchant (FCM)-style clearing arrangements as between clients and their clearing intermediaries whereby client activity with third parties is "given up" to the intermediary for clearing, as well as activity where the client and the clearing intermediary are trading counterparties; each such indirect access model also provides substantially the same benefits of clearing (centralized risk management and centralized default management) and substantially the same guarantee of settlement as are offered under an FCM-style client clearing offering in the derivatives space.



The survey revealed that market participants have an inconsistent degree of familiarity with FICC's various services. For example, among all respondents, relatively more indicated that they are "very familiar" with GSD's Sponsored Delivery-Versus-Payment (DVP) Service (53%) and with its Sponsored General Collateral (GC) Service (47%). However, relatively fewer respondents indicated that they are "very familiar" with GSD's Prime Broker Clearing/Correspondent Clearing Services (24%) and with its CCIT™ Service (21%). Consistent with these responses, a significant number of non-member respondents replied that they are "not familiar" with the fact that Registered Investment Companies (i.e., '40 Act Funds) are eligible to become GSD Netting Members (55%).



When member respondents were asked which of FICC's access models they planned to use for their indirect participant Treasury activity, **52% indicated they were unsure as it relates to Treasury Reverse Repo and Treasury Repo activity, and 58% indicated they were unsure as it relates to indirect participant Treasury cash activity.**

OTHER NOTEWORTHY AREAS OF COMMENT REGARDING FICC'S INDIRECT PARTICIPATION MODELS

NEED FOR DOCUMENTATION STANDARDIZATION

One recommendation from the survey was that FICC and SIFMA develop standardized documentation to govern the relationship between clearing members and their indirect participant clients. When it comes to the question of standardizing documentation to facilitate central clearing of Treasury transactions, it should be noted there are essentially two core relationships and, therefore, two sets of documents. One core relationship is between the CCP and its participant (or indirect participant as applicable), and today, FICC has in place for its Sponsored Service and Prime Broker Clearing and Correspondent Clearing Services standardized documentation addressing those direct and indirect relationships. The second core relationship, and the one truly at issue in the respondent survey feedback, is the necessary documentation between the clearing member and its indirect participant client. A common element in this varied documentation is that the contracts are away from FICC – and to which FICC is not a party. FICC agrees with survey respondents; it is critical that the industry come together under SIFMA leadership to develop such standardized documentation for itself. FICC welcomes the opportunity to offer its expertise to a SIFMA-led industry group of buy- and sell-side firms to develop such standardized documentation.

ELIGIBILITY STANDARD FOR SPONSORED MEMBERSHIP

Certain survey respondents recommended that FICC revisit the Qualified Institutional Buyer (QIB) standard currently applied to sponsored members, and expressed concern that without such a change, non-QIB market participants may not have reasonable access to central clearing at FICC if the Expanded Clearing Proposal were adopted. FICC is actively investigating whether a revision to the eligibility criteria for sponsored membership would be appropriate under the Expanded Clearing Proposal and welcomes further engagement with the industry and its supervisors on this topic. In addition, FICC would also note that its other indirect participation models, including its Prime Broker and Correspondent Clearing models, do not require the underlying client to be a QIB or a member of FICC / GSD.

FICC'S TRADE SUBMISSION TIMELINES

Certain respondents expressed concern about FICC's trade submission timelines. However, as discussed further below, FICC understands these concerns to vary as between FICC's DVP and Sponsored GC Services.

Sponsored DVP Trade Timing: Certain respondents expressed concern regarding latency in terms of FICC's novation of Sponsored DVP activity. FICC's novation window for all DVP trades opens at 7 a.m. ET and stays open until 8 p.m. ET. Once a sponsored DVP trade is submitted and matched, it is novated to FICC in real-time and messaging regarding such novation is sent immediately back to the sponsoring member.

There may be a latency in terms of when the sponsored member is thereafter notified by its sponsoring member that the sponsored DVP trade has novated, but there is no latency in terms of when FICC communicates with the sponsoring member regarding novation. If sponsored members are interested in receiving real time updates regarding their sponsored member trade status directly from FICC, they may subscribe to FICC's sponsored member trade status API.[7]

[7] For more information about subscribing to FICC's sponsored member trade status API, please contact the DTCC Integration Team or visit the DTCC's API Marketplace at https://developer.dtcc.com/.

Sponsored GC Trade Timing: With respect to activity submitted into its Sponsored GC Service, FICC currently accepts sponsored member trade submissions from 7 a.m. ET until 5 p.m. ET and then novates such activity upon settlement of the start leg of the tri-party repos, provided such settlement occurs by 5:30 p.m. ET. Certain respondents recommended that FICC consider extending the trade submission and novation windows later in the day to better align with the general timing for settlement of the uncleared, tri-party repo market. FICC will take that recommendation into consideration and welcomes related dialog with the industry and its supervisors.

SPONSORED TRADE START LEG NOVATION

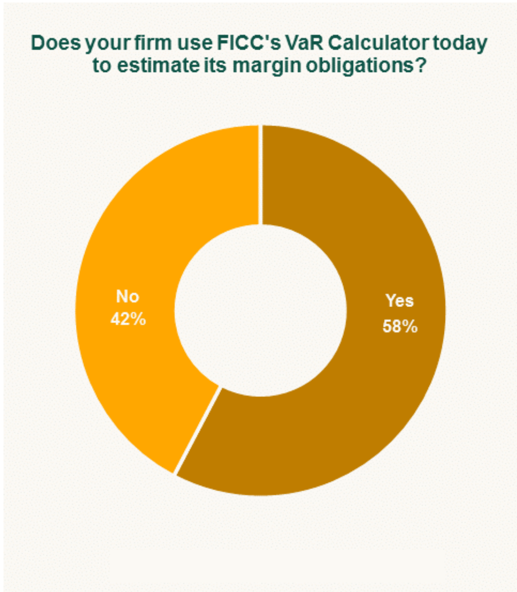
Certain respondents also recommended that FICC clear the start legs of all sponsored member trades. Currently, FICC novates and settles the start leg of any sponsored member trade where the pre-novation counterparty of the sponsored member is a third party member of FICC (i.e., "done-away" from the sponsoring member), as well as any sponsored member trade where the start leg of such repo is scheduled for some business day in the future. FICC currently does not novate and settle the start legs of same-day settling sponsored repos where the sponsored member's pre-novation counterparty is its sponsoring member (for example, "done-with" Sponsored DVP repo as well as sponsored GC repo).

FICC's decision not to novate and settle the start legs of same-day settling sponsored repos was intentional and made in consultation with the industry, based on the operational and legal complexities that novation and settlement by FICC presented to both sponsoring members and sponsored members. Nontheless, FICC will take that recomendation into consideration and welcomes further dialog with the industry and its supervisors.[8]

[8] It should be noted that even though FICC does not currently clear the start leg of certain sponsored member trades, this fact has no effect on the guarantee of settlement, comparison, centralized risk and default management, and other benefits offered by FICC on the end leg of such trades.

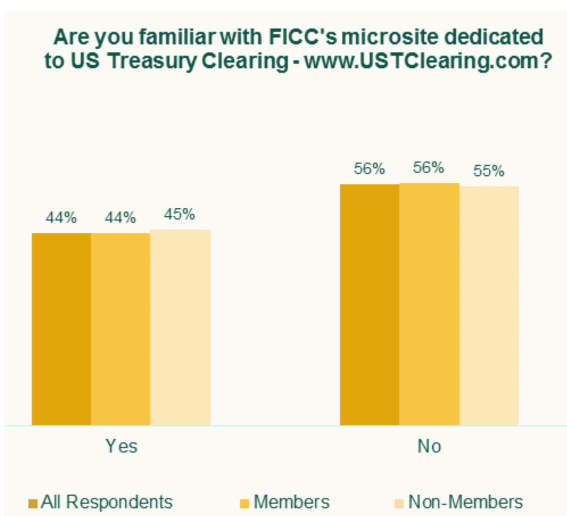
VALUE-AT-RISK (VAR) CALCULATOR

FICC currently makes available to all FICC / GSD Netting Members an online, interactive, web-based Value-at-Risk (VaR) calculator to estimate their Clearing Fund requirements based on changes (i.e., addition or subtraction of positions) to their FICC-cleared portfolios. According to the survey, only 58% of FICC / GSD Netting Members respondents said they use the VaR calculator. Based on this survey data, FICC plans to develop and publicize additional educational assets and FAQs to help Members understand how to use the VaR calculator with the intent of increasing their utilization of it.



INFORMATIONAL MATERIALS ON TREASURY CLEARING

Among all survey respondents, a majority (56%) stated they were not familiar with the microsite FICC launched last year in response to the Expanded Clearing Proposal, at USTClearing.com. USTClearing.com provides the industry with a hub of information on Treasury clearing and FICC, including information regarding FICC's various services for Treasury activity, its direct and indirect participation models, its risk management practices, governance and thought leadership. In response to this survey data, FICC will continue its industry outreach to raise awareness of USTClearing.com and make information on this important topic as widely disseminated as possible.

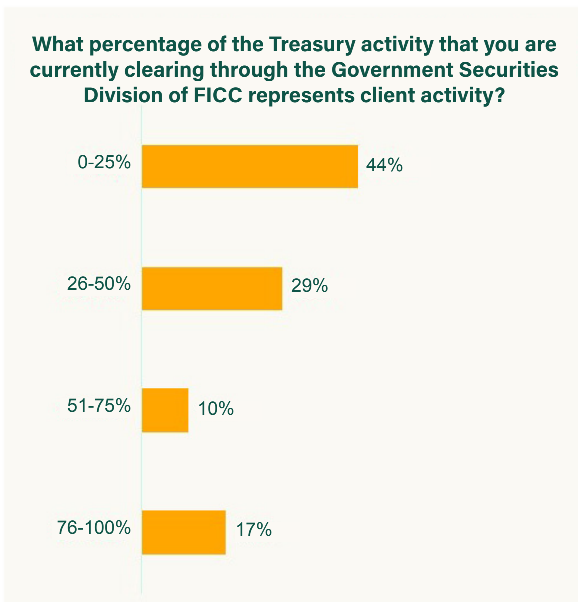


B. Indirect Participant Treasury Activity

As described above, one of the key features of the Expanded Clearing Proposal is that it would significantly broaden the scope of Treasury activity that would be required to be submitted into central clearing. If a market participant covered by the proposed clearing requirement is not a direct FICC / GSD member, it would need to have its Treasury activity submitted for clearing by a direct FICC / GSD member that would act as its clearing intermediary (for example, a sponsoring member, prime broker or correspondent clearer).

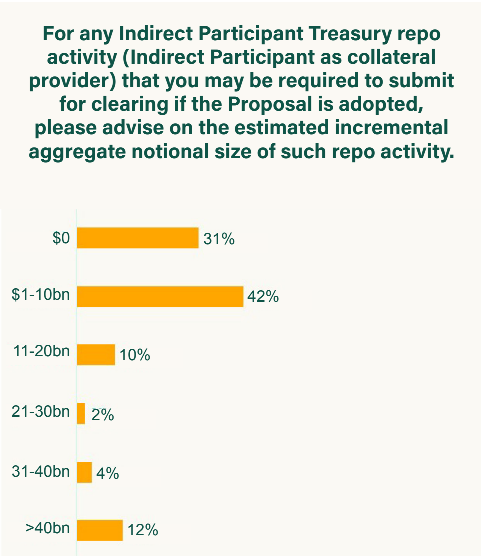
When asked about the types of Treasury activity they might need to submit for clearing on behalf of their indirect participant clients under the Expanded Clearing Proposal, 64% of member respondents expected to submit indirect participant Treasury Reverse Repo activity for clearing, 58% expected to submit indirect participant Treasury Repo activity, and 50% expected to submit indirect participant Treasury cash activity.

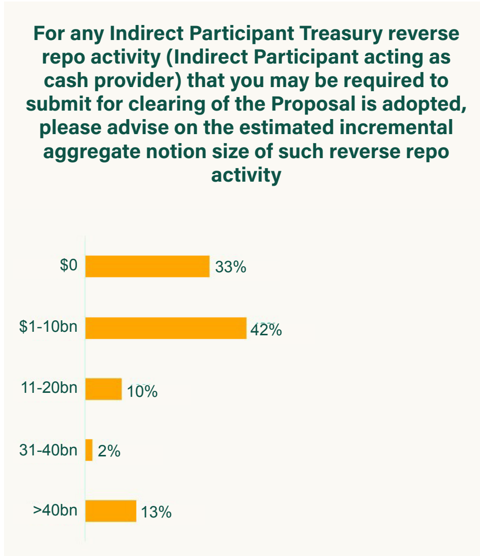
Member respondents were also asked what percentage of their Treasury activity that currently clears through FICC represents indirect participant activity. Nearly 75% of member respondents indicated that they submit 50% or less of their indirect participant Treasury activity into FICC, which suggests that a significant portion of such indirect participant Treasury activity clears and settles on a bilateral basis, and would be an incremental increase in volume in central clearing if it were required to be submitted under the Expanded Clearing Proposal.

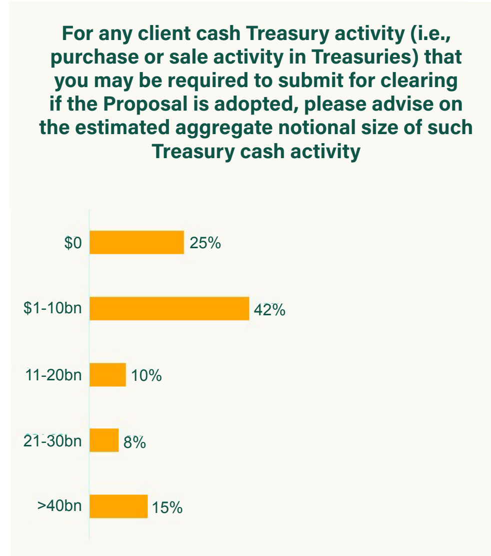


INCREMENTAL INDIRECT PARTICIPANT TREASURY VOLUME

FICC then asked each member respondent to provide a specific estimate of what incremental indirect participant Treasury activity they may need to submit for clearing under the Expanded Clearing Proposal broken down by product (Treasury Repo, Treasury Reverse Repo and Treasury Cash activity) and by the following volume bands: "$0", "$1–$10 billion", "$11–20 billion", "$21–$30 billion", "$31–$40 billion", "> $40 billion". FICC recorded the median volume from each volume band that a member respondent selected, except for the ">$40 billion" volume band which FICC recorded as $40 billion for purposes of the calculation of the volume estimates.







Based on this data, FICC estimates that, in aggregate, there will be an incremental $500 billion of indirect participant Treasury Repo activity, $520 billion of indirect participant Treasury Reverse Repo activity and $605 billion of indirect participant Treasury Cash activity that could be submitted to FICC under the Expanded Clearing Proposal if it were adopted.

POTENTIAL USAGE OF DEBIT IN RULE 15c3-3 FORMULA FOR INDIRECT PARTICIPANT MARGIN

As currently written, the Expanded Clearing Proposal would allow customer funds to be used to satisfy FICC margin requirements applicable to those customers' centrally cleared Treasury activity, provided that the customer funds were appropriately segregated. The SEC's existing customer protection regulations (under Rule 15c3-3) currently do not allow FICC / GSD Netting Member broker/dealers to use customers' funds for this purpose. Without the proposed change, FICC / GSD Netting Member broker/dealers must use their own assets to satisfy margin requirements applicable to customers' activity.

The Expanded Clearing Proposal would allow customer funds to be used to satisfy FICC margin requirements. While FICC understands that the current inability for its broker/dealer members that act as sponsoring members for FICC cleared repo to take a debit in the SEC Rule 15c3-3 formula for rehypothecated customer margin has been an articulated pain point the survey responses revealed that 73% of broker/dealer member respondents indicated that they are only planning to seek a debit in the Rule 15c3-3 formula for 25% or less of the margin related to their indirect participant Treasury Reverse Repo activity. Moreover, an even higher percentage (77%) of broker/dealer member respondents indicated that they are only planning to seek a debit in the Rule 15c3-3 formula for 25% or less of the margin related to their indirect participant Treasury Repo activity. That said, given the relative lack of certainty amongst the FICC / GSD membership as to which access models they may select for their indirect participant Treasury activity (as described above), FICC expects that the views of broker/dealers may evolve on this topic, as they continue to hone their thinking and conduct further discussions with their customers around how and on what terms they may be willing to act as a clearing intermediary if the Expanded Clearing Proposal were adopted.

C. Implications for Risk Management

One of the key areas of focus in the comment letters and public responses to the Expanded Clearing Proposal has been about how bringing a significantly larger portion of Treasury activity under FICC's Market Risk Management processes might impact the aggregate amount of margin that FICC would be required to collect, as well as how such incremental Treasury activity would impact FICC's default-related liquidity needs and required Liquidity Risk Management resources.

MARKET RISK MANAGEMENT

A key tool that FICC uses to manage market risk is the daily calculation and collection of Required Fund Deposits from FICC / GSD Netting Members. The Required Fund Deposit serves as each Netting Member's margin. The Required Fund Deposit is calculated and collected to cover the risk associated with the liquidation of a Netting Member's portfolio in the event of such Member's default. FICC calculates Required Fund Deposits twice each business day, based on a Netting Member's 12:00 p.m. ET and end-of-day positions.

The Required Fund Deposit is comprised of several components which serve to address a Netting Member's potential market risk exposure. Of these components, the Value-at-Risk (VaR) Charge generally comprises the largest portion of a Netting Member's Required Fund Deposit amount. The VaR Charge is calculated using a risk-based margin methodology that is intended to capture the market price risk associated with the securities in a Netting Member's portfolio over a designated time period. The VaR Charge is calibrated to cover the projected liquidation losses at a 99% confidence level, assuming a three-day liquidation period.

FICC uses historical simulation, based on risk sensitivities and relevant risk factor time series, to estimate the impact of market volatilities on the Netting Member's portfolio(s); a 10-year historical look-back period is used if it includes sufficient stressed market scenarios. If, however, FICC determines that the historical look-back period does not contain adequate shocks, additional periods of stressed market conditions may be added to the 10-year historical data. The additional stressed period is currently set at 1.5 years to capture data from 2008 through 2009.

VaR Charges for a sponsoring member's Omnibus Account are calculated separately from the VaR Charges for the sponsoring member's other FICC / GSD Accounts. FICC also applies Gross Margining to a sponsoring member's Omnibus Account, which means that the positions of each sponsored member within a given Omnibus Account are margined separately from positions of all other sponsored member(s) and margin netting offsets are not provided between positions of different sponsored member(s). In contrast, VaR Charges for Prime Broker Clearing Accounts and Correspondent Clearing Accounts are calculated on a Net basis (Net Margining), which means that the positions of all the clients within a given Prime Broker Account or Correspondent Clearer Account are netted together and the positions of one client could provide margin netting offsets against the positions of another client.

ANALYSIS OF MARKET RISK MANAGEMENT SURVEY DATA

For the analysis of the survey results, FICC applied a conservative approach in determining the estimates, and it is certainly possible to derive different – and potentially even lower – projections if one makes assumptions that take more explicitly into account the availability of netting, offsets and the prevalence of matched book positions that may be submitted under a finalized Expanded Clearing Proposal. Indeed, the SEC pointed to such factors as being meaningful and relevant when considering how the Expanded Clearing Proposal might bring benefits to the U.S. Treasury Market by ensuring that the risks presented by various types of trading in the bilateral market are centralized and made subject to standardized, rigorous risk management practices, including standardized margin requirements.

To perform VaR impact calculations, FICC used “the remaining time to maturity” of the underlying Treasury collateral data provided by member respondents and applied an internally calculated haircut equivalent for each collateral tenor. As an example, if the estimated incremental indirect participant Repo volume for the 0-3 years “remaining time to maturity” collateral tenor provided by a member respondent was $1 billion, FICC multiplied such volume by its calculated haircut equivalent for the 0-3 year “remaining time to maturity” collateral tenor, which at the time of the study was 29 basis points. Absent any other activity and potential margin offsets with existing or other potential incremental indirect participant activity, the incremental VaR Charge would be calculated by FICC as $1 billion * 29 bps = $2.9 million.

Summary of the survey data:

- 19% of the member respondents indicated they did not plan to submit any incremental indirect participant Treasury activity and were thus excluded from this analysis. The remaining member respondents indicated that they would be submitting, in aggregate, an additional $500 billion of Treasury Repo activity, $520 billion of Treasury Reverse Repo activity and $605 billion of Treasury cash activity on behalf of their indirect participants, or a total of approximately $1.63 trillion daily in incremental indirect participant Treasury activity.

  If all the incremental indirect participant Treasury activity were cleared through one of the Gross Margin models,[9] the potential aggregate increase in VaR Charges from such incremental Treasury activity would be approximately $26.6 billion across the FICC / GSD membership.

- Note that of this potential aggregate $26.6 billion increase in VaR Charges, only member respondents representing $18.4 billion in VaR Charges indicated that they planned to use the Sponsored Service, a Gross Margin model for their indirect participant activity. The remaining member respondents (representing $8.2 billion in Gross Margin VaR Charges) were less certain whether they would select one of FICC’s Gross Margin or Net Margin models, and such decision, as described above, could have a material impact in terms of reducing the amount of margin the member would be required to post for their indirect participant activity.
- To further contextualize this potential $26.6 billion aggregate increase in VaR Charges related to indirect participant activity, note that during the first half of 2023 the total FICC / GSD VaR Charges for sponsored member activity, which currently accounts for approximately $642 billion in average daily FICC / GSD volume, has averaged $9.6 billion and represents approximately 35% of the total FICC / GSD VaR Charges. To the extent that approximately $1.63 trillion of additional daily indirect participant Treasury activity may be submitted to FICC, it is logical to expect that the VaR Charges for such indirect participant activity (estimated by FICC based on the survey results) would correspondingly increase the overall FICC / GSD Clearing Fund, particularly if such activity is routed into one or more of FICC’s Gross Margin models.
- Notably, even if FICC were to see the margin it holds for indirect participant activity increase from $9.6 billion to $36.2 billion to the extent the Expanded Treasury Clearing Proposal were adopted, such total margin is considerably modest as compared to the initial margins held by other major central counterparties for other cleared asset classes. For example, according to FIA’s 2023 Q1 Data, LCH LTD holds $254.8 billion in initial margin, CME holds $224.5 billion in initial margin and OCC holds $74.8 billion in initial margin.[10]

[9] The activity in the Sponsored Service is always Gross Margined. For the Correspondent Clearing/Prime Broker models, a Netting Member in the future, under the Expanded Clearing Proposal, may choose either to Gross Margin or Net Margin that activity. Gross Margining must be chosen if a Broker/Dealer Netting Member wants the ability to take a debit in the SEC Rule 15c3-3 formula for the customer margin.

[10] FIA’s CCP Tracker update - Q1 2023 highlights, https://www.fia.org/fia/articles/ccp-tracker-update-q1-2023-highlights

OTHER NOTEWORTHY AREAS OF COMMENT REGARDING FICC MARKET RISK MANAGEMENT

Enhanced Cross Margining: Certain respondents commented that FICC should extend its existing cross-margining arrangements between FICC-cleared Treasury cash and repo activity and CME-cleared Treasury futures to include additional asset classes, such as swaps, and also to include end-user customer positions within cross-margining, in addition to the house positions of FICC and CME common members for which cross-margining is offered today. As discussed in its October 2021 whitepaper[11], FICC wholeheartedly supports expansions of cross-margining, as they more closely tie margin requirements to the risk of the relevant transactions. Since that time, FICC has remained active in seeking to realize these benefits for its members and the broader markets, recently obtaining the necessary regulatory approval to enhanve the FICC-CME cross-margining methodology and expand the suite of products available for cross-margining of house positions[12]. In addition, FICC is currently co-leading with CME a workstream of the Commodity Futures Trading Commission's (CFTC) Global Markets Advisory Committee focused on identifying potential solutions to end-user customer cross-margining. FICC looks forward to related dialog regarding this and other potential expansions of cross-margining with the industry and its supervisors.

Margin Transparency: Certain respondents expressed a need for increased transparency of FICC's margining processes. However, some of those comments appear to reflect a lack of awareness of the information, tools, and reporting FICC makes available to its membership today, which includes the entire FICC / GSD margin methodology document and detailed descriptions and formulae, as applicable, for each component of its Clearing Fund, as well as a host of other information regarding how FICC manages risk. All of this material is available on USTClearing.com.

Some respondents also expressed concern that FICC not be permitted to make changes to its margin calculation without prior notice in order to avoid procyclical impacts of margin hikes in volatile environments. FICC would note that it is not permitted to make material changes to its initial margin methodology (referred to by FICC as its "Clearing Fund methodology") without regulatory approval and requisite public notice and comment. In terms of FICC's variation margining, which is a mark-to-market pass-through between its members conducted twice daily as part of its Funds-Only Settlement process, such margining depends on changes in the price of securities that are the subject of the cleared trade, and the pricing FICC uses is provided to it by standard industry vendors.

Certain respondents also commented that FICC should provide reporting to sponsoring members regarding the break-down of how much of their VaR Charge is allocable to each individual sponsored member. FICC provides that type of reporting today to sponsoring members; sponsoring members should contact their FICC Relationship Manager directly for more information on how they can gain access to that reporting.

Single Clearing Fund: Certain respondents also commented that FICC should implement separate calls for initial margin, variation margin, and a guaranty fund. Unlike Derivatives Clearing Organizations (DCOs) and certain other clearing organizations, FICC does not require indirect participants to post initial margin for their transactions, nor does it require FICC / GSD Netting Members to post a default fund to cover potential tail risks. Rather, FICC maintains a single Clearing Fund and applies Clearing Fund requirements exclusively to its FICC / GSD Netting Members. This provides FICC / GSD Netting Members and their indirect participant clients with flexibility to select who will fund the Clearing Fund requirements that arise from indirect participant activity. FICC appreciates the comment and welcomes further dialog with the industry and its supervisors regarding the optimal structuring of its risk management resources.

[11] DTCC White Paper - "Making US Treasury Market Safer for All Participants: How FICC's Open Access Model Promotes Central Clearing" (October 2021), https://www.dtcc.com/-/media/Files/Downloads/WhitePapers/Making-the-Treasury-Market-Safer-for-all-Participants.pdf

[12] SEC approval order: https://www.sec.gov/files/rules/sro/ficc/2023/34-98327.pdf

Certain respondents also commented that all margin postings by an indirect participant be excluded from FICC's default loss waterfall. FICC would note that (as described above) the Expanded Clearing Proposal would require that FICC hold in segregated accounts any margin postings by indirect participants for which their broker/dealer clearing intermediary is seeking a debit in the SEC Rule 15c3-3 formula, and that such separately held margin also be excluded from FICC's default loss waterfall.

Porting: Certain respondents commented that FICC should allow for porting of clients' Treasury activity in the event of the default of their clearing member, like the construct applicable in the derivatives space. As FICC noted in its own comment letter to the Expanded Clearing Proposal, FICC is continually reviewing the features of its risk management and default management programs and plans to consider whether expressly providing for porting of a defaulting FICC / GSD Netting Member's indirect participant positions may increase confidence among indirect participants and facilitate greater clearing. FICC welcomes related discussion with the industry and its supervisors.

LIQUIDITY RISK MANAGEMENT

FICC manages liquidity risk presented by its FICC / GSD membership by maintaining qualifying liquid resources sufficient to meet the potential amount of funding required to settle the outstanding FICC-cleared transactions in the event of a default of the FICC / GSD Netting Member (including the Member's family of affiliated Members) with the largest aggregate liquidity exposure to FICC in extreme but plausible market conditions. These qualifying liquid resources include Clearing Fund cash and the FICC / GSD CCLF. CCLF is a rules-based, committed liquidity resource which takes the form of a repurchase agreement pursuant to which each FICC / GSD Netting Member is obligated to provide a level of funding if the CCLF is invoked. More information about how FICC can invoke the CCLF and how FICC sizes each Member's contribution can be found in FICC's Principles for Financial Market Infrastructures (PFMI) Disclosure Framework.[13]

Certain respondents commented that FICC should provide additional information to its membership regarding the calculation and allocation of the FICC / GSD CCLF. FICC appreciates the comment and would note that while it currently publishes educational materials regarding the CCLF to the DTCC Learning Center for use by the FICC / GSD membership, it is working on augmenting those educational materials with new content based on frequently asked questions from the FICC / GSD membership. Certain respondents also commented that FICC should enhance the reporting it provides its membership regarding their CCLF obligations. FICC also appreciates this comment and would note that it is considering a series of enhancements to its suite of CCLF reporting to ease the membership's use and consumption of those reports.

ANALYSIS OF LIQUIDITY RISK MANAGEMENT SURVEY DATA

Survey results are inconclusive as to whether the incremental indirect participant Treasury Repo, Treasury Reverse Repo and/or Treasury Cash activity that may be required to be submitted to FICC under the Expanded Clearing Proposal would have a significant impact on FICC / GSD's liquidity needs or on the overall size or allocation of its CCLF.

INDIRECT PARTICIPANT TREASURY REPO AND REVERSE REPO ACTIVITY

As described above, member respondents indicated that in aggregate they planned to submit to FICC for clearing approximately $500 billion of indirect participant Treasury Repo activity and in aggregate approximately $520 billion of indirect participant Treasury Reverse Repo activity, if the Expanded Treasury Clearing Proposal were adopted.

- Out of 38 member respondents who indicated a non-zero increase in either or both their indirect participant Treasury Repo and Treasury Reverse Repo activity, 21 of those respondents (55%) indicated that they planned to submit what appears to be a matched book to FICC – in other words, they plan to submit to FICC the same notional amount of indirect participant Repo activity as indirect participant Reverse Repo activity. If that Reverse Repo and Repo activity have the same underlying CUSIPs and the same settlement dates, such activity should be netted as part of FICC's multilateral net settlement process and, in turn, have minimal impact on either FICC's liquidity needs or the CCLF.

[13] FICC PFMI Disclosure Framework is available on DTCC's website, https://www.dtcc.com/-/media/Files/Downloads/legal/policy-and-compliance/FICC_Disclosure_Framework.pdf https://www.dtcc.com/-/media/Files/Downloads/legal/policy-and-compliance/FICC_Disclosure_Framework.pdf

- Only 8 out of 38 member respondents (21%) indicated that they planned to submit to FICC a net directional book – either more indirect participant Treasury Repo activity than indirect participant Treasury Reverse Repo activity or vice versa, and for only 3 out of 38 member respondents would such net directional impact be greater than $15 billion.
- Directional settlement obligations owing to FICC, without other offsetting settlement obligations within a member's portfolio, could potentially result in an increase in FICC's liquidity needs and/or impact the overall size or allocation of the CCLF.
- However, given that the estimated incremental indirect participant Treasury Repo and Treasury Reverse Repo activity does not appear to be significantly directional in nature, and even such net directional activity could potentially offset against other settlement obligations related to members' existing FICC-cleared activity, it is inconclusive whether the addition of such Treasury Repo and Treasury Reverse Repo activity into clearing would have a significant impact on FICC / GSD's liquidity needs or the overall size or allocation of the CCLF.

INDIRECT PARTICIPANT TREASURY CASH ACTIVITY

- As described above, member respondents indicated that in the aggregate they planned to submit to FICC $605 billion of Treasury cash activity on behalf of their indirect participants if the Expanded Clearing Proposal were adopted.
- 15 out of 42 member respondents indicated that they plan to submit over $20 billion in incremental Treasury cash activity on behalf of indirect participants, with 9 out of those 15 indicating that the volume would be greater than $30 billion.
- The incremental Treasury cash volume estimates were, however, provided to FICC on a gross basis such that FICC does not have the break-down as to the mix of Buy and Sell activity within a given member's portfolio and/or whether any of the incremental indirect participant Treasury cash activity would have settlement offset opportunities across other indirect participant activity and/or across the member's existing FICC-cleared portfolio. As described above, any such offsets could result in a reduction in settlement obligations and mitigate the liquidity risk presented to FICC by the member and, in turn, not impact FICC / GSD's liquidity needs.
- Without such additional information, it is similarly inconclusive whether the addition of such indirect participant Treasury cash activity into clearing would have a significant impact on FICC / GSD's liquidity needs or the overall size or allocation of the CCLF.

Section V: Conclusions

FICC's clients play a critical role in reimagining the financial marketplaces of the future, and so are uniquely placed to share views on the impact of the Expanded Clearing Proposal and the evolution of central clearing for the U.S. Treasury Market.

We are committed to continuing to work with our members, their clients, the broader market, and our public sector stakeholders to have further discussions on the various services and access models offered by FICC / GSD to help firms evaluate which model is right for them. We will continue to explore the impact the Expanded Clearing Proposal could have on FICC's operations, risk models and the tools we provide, and engage the industry for further feedback as we move forward.

For ongoing support, information, and dialog on this important topic, please continue to visit USTClearing.com. We will leverage this online hub to provide the industry with important information from FICC as this Expanded Clearing Proposal continues to evolve, including details regarding FICC's various services for Treasury activity, our direct and indirect participation models, risk management practices, governance and thought leadership.

FICC would like to again thank the firms who participated in the survey. We hope this report helps contribute to a better understanding of the potential implications of the Expanded Clearing Proposal for the U.S. Treasury Market. We encourage you to share your thoughts and participate in the ongoing dialog that we are trying to foster.

APPENDIX –
FICC's Indirect Participant Access Models

Under the Expanded Clearing Proposal, FICC would offer its FICC/GSD Netting Members and their indirect participant clients a variety of account options that would allow those parties to balance the benefits of netting and segregation in different ways. Non-15c3-3 account structures would generally maximize the ability for FICC/GSD Netting Members to net down position exposures and, therefore, resultant margin obligations. One exception to this option is with respect to sponsored member accounts that FICC Gross Margins (irrespective of whether the sponsoring member is seeking Rule 15c3-3 capital relief) in light of FICC's rules-based obligations to each individual sponsored member in the event of the default of its sponsoring member. On the other hand, 15c3-3 accounts would uniformly be margined on a gross basis, with no offsets between customer positions. In addition, that margin for 15c3-3 accounts would be held by FICC in separate accounts that are both physically and legally segregated from any exposure to FICC members' positions or the positions of any fellow customers. In other words, FICC is considering a 15c3-3 account structure that is similar to the "Legal Segregation with Operational Commingling" or "LSOC" approach used in the cleared swaps space.

In the case where a FICC/GSD Netting Member or its indirect participant client prioritizes availing itself of the account structure contemplated under the proposed amendments to Rule 15c3-3, the 15c3-3 account structure at FICC is likely to provide for the following: (a) physical segregation of customer Clearing Fund cash at the Federal Reserve Bank of New York (FRBNY)[14] and customer Clearing Fund securities at a large commercial custodial bank; (b) customer Clearing Fund assets would not be subject to any FICC loss mutualization purposes (whether arising from a fellow customer or clearing intermediary default); and (c) customer Clearing Fund assets would be invested consistent with the proposed amendments to Rule 15c3-3 that are expected to emphasize the use of cash and short-term U.S. Treasury instruments.

A summary of how these changes may be applied[15] to FICC's indirect participant access models is reflected in the table below:

ISSUE	FICC TODAY	FICC POST-ADOPTION
Segregation of Clearing Fund	**Prime Broker / Correspondent Clearing Model:** No segregation of margin; Clearing Fund requirements are calculated and collected at the submitting Netting Member level on a net basis with all other activity in the same account (which can include customer as well as house activity).	**Prime Broker / Correspondent Clearing Model:** Under a 15c3-3 account structure, each customer's margin would be calculated on a gross basis and held physically segregated from all other FICC margin and would also be legally segregated from FICC member as well as fellow customer exposures.
	Sponsored Membership Model: Margin for all sponsored members is held separately on an omnibus book-entry basis from the house activity of the sponsoring member. Margin on sponsored member activity is calculated on a gross basis (i.e., no offsets between different sponsored members' activity).	**Sponsored Membership Model:** Under a 15c3-3 account structure, each sponsored member's margin would be calculated on a gross basis and held physically segregated from all other FICC margin and would also be legally segregated from FICC member as well as fellow customer exposures.

[14] This assumes that FICC would be able to establish the necessary central bank account arrangements for customer margin described in the Expanded Clearing Proposal.
[15] Subject to any final requirements adopted by the SEC as well as further industry consultation and regulatory review by the SEC insofar as FICC / GSD is required to make necessary regulatory filings (i.e., proposed rule change filings under Section 19 of the Exchange Act) prior to implementation of these structures.

ISSUE	FICC TODAY	FICC POST-ADOPTION
Fellow customer risk (i.e., customer margin can be used to offset other customer default)	**Prime Broker / Correspondent Clearing Model:** Yes, customer activity margin is collected on a net basis from the submitting Netting Member and, therefore, is subject to loss mutualization.	**Prime Broker / Correspondent Clearing Model:** No, under a 15c3-3 account structure, each customer's margin would be calculated on a gross basis and held physically segregated from all other FICC margin and would also be legally segregated from FICC member as well as fellow customer exposures.
	Sponsored Membership Model: Yes, sponsored member activity margin is viewed as proprietary or house margin of the Sponsoring Member and, therefore, is subject to loss mutualization.	**Sponsored Membership Model:** No, under a 15c3-3 account structure, each sponsored member's margin would be calculated on a gross basis and held physically segregated from all other FICC margin and would also be legally segregated from FICC member and as well as fellow customer exposures.
Intermediary default risk (i.e., customer margin can be used to offset agency clearing/Sponsoring Member default risk)	**Prime Broker / Correspondent Clearing Model:** Yes, customer activity margin is collected on a net basis from the submitting Netting Member and, therefore, is subject to loss mutualization.	**Prime Broker / Correspondent Clearing Model:** No, under a 15c3-3 account structure, each customer's margin would be calculated on a gross basis and held physically segregated from all other FICC margin and would also be legally segregated from FICC member as well as fellow customer exposures.
	Sponsored Membership Model: Yes, sponsored member activity margin is viewed as proprietary or house margin of the Sponsoring Member and, therefore, is subject to loss mutualization.	**Sponsored Membership Model:** No, under a 15c3-3 structure, each sponsored member's margin would be calculated on a gross basis and held physically segregated from all other FICC margin and would also be legally segregated from FICC member and as well as fellow customer exposures.

ISSUE	FICC TODAY	FICC POST-ADOPTION
Investment of customer assets	**Prime Broker / Correspondent Clearing Model:** Yes, all FICC margin including margin for customer activity is invested as part of the GSD Clearing Fund pursuant to the existing investment policy applicable to FICC / GSD (the "Clearing Agency Investment Policy").	**Prime Broker / Correspondent Clearing Model:** Yes, all FICC margin including margin for customer activity would continue to be invested as part of the GSD Clearing Fund pursuant to the Clearing Agency Investment Policy. For customer margin held in a 15c3-3 account structure, the policy would be revised to address the proposed amendments to Rule 15c3-3 to address requirements applicable to investment of margin held in such account.
	Sponsored Membership Model: Yes, all FICC margin including margin for sponsored member activity is invested as part of the GSD Clearing Fund pursuant to the Clearing Agency Investment Policy.	**Sponsored Membership Model:** Yes, all FICC margin including margin for sponsored member activity would continue to be invested as part of the GSD Clearing Fund pursuant to the Clearing Agency Investment Policy. For customer margin held in a 15c3-3 account structure, the policy would be revised to address the proposed amendments to Rule 15c3-3 to address requirements applicable to investment of margin held in such account.
Clearing house visibility of customer transactions	**Prime Broker / Correspondent Clearing Model:** Yes, in some cases, so long as the submitting Netting Member uses a unique client identifier (Executing Firm symbol) as part of the trade submission.	**Prime Broker / Correspondent Clearing Model:** Yes, in all cases, the submitting Netting Member would be required to use a unique client identifier (Executing Firm symbol) as part of the trade submission for the customer account.
	Sponsored membership: Yes, the sponsoring member is required to use a unique client identifier (Executing Firm symbol) as part of the trade submission for the Omnibus Account.	**Sponsored Membership:** Yes, the sponsoring member will continue to be required to use a unique client identifier (Executing Firm symbol) as part of the trade submission for the Omnibus Account.

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