



*Important Notice*

**Fixed Income Clearing Corporation - GOV**

<b>GOV #:</b>	GOV843-20
<b>Date:</b>	February 25, 2020
<b>To:</b>	Government Securities Division Netting Members
<b>Category:</b>	Service Updates
<b>Subject:</b>	Approval of Rule Filing SR-FICC-2019-007 – Sponsoring Member/Sponsored Member Service – Proposed Changes to Close-out and Funds-Only Settlement Processes

On February 21, 2020, the Securities and Exchange Commission approved proposed rule change SR-FICC-2019-007 (“Rule Filing”), which was filed pursuant to Section 19(b)(2) of the Securities Exchange Act of 1934, as amended. The purpose of the Rule Filing is to revise the FICC Government Securities Division Rulebook in order to facilitate the submission of repurchase transactions (“repos”) with a scheduled final settlement date beyond the next Business Day after the initial settlement date (“term repo activity”) through the Sponsoring Member/Sponsored Member Service by: (i) providing a mechanism by which a Sponsoring Member may cause the termination and liquidation of a Sponsored Member’s positions arising from Sponsored Member Trades between the Sponsoring Member and its Sponsored Member that have been novated to FICC and (ii) revising how FICC calculates the funds-only settlement obligations of Sponsored Members and Sponsoring Members with respect to Sponsored Member Trades that have haircuts in order to ensure that the calculation does not result in a return of the haircuts until final settlement. In addition, the proposed rule change makes a correction and certain clarifications and conforming changes.

The full text of the Rule Filing may be obtained by visiting the DTCC website at [www.dtcc.com/legal/sec-rule-filings.aspx](http://www.dtcc.com/legal/sec-rule-filings.aspx).

Questions regarding this Important Notice may be addressed to your Relationship Manager. Questions regarding the Rule Filing may be addressed to Kristen Lam, Director and Assistant General Counsel, at (212) 855-5258.