

MBS #:	MBS978-21
Date:	April 21, 2021
To:	Mortgage-Backed Securities Division (“MSBD”) Clearing Members
Category:	Service Updates
Subject:	MBSD Intraday Mark-to-Market Charge -Timing of Intraday Collection

Update:

As a result of the volatile market conditions in the fixed-income markets during 2020, the application of the MBSD Intraday Mark-to-Market Charge was changed from an hourly assessment to a fixed time on April 1, 2020. The Intraday Mark-to-Market Charge was based upon open positions and prices as of 1:00PM for purposes of establishing whether a Member shall be required to make payment of an additional amount to its Required Fund Deposit. Starting on May 3, 2021, the fixed time of 1:00PM will be eliminated and the MBSD Intraday Mark-to-Market Charge will return to an hourly assessment.

Background:

As defined in the Fixed Income Clearing Corporation (the “Corporation”) [Mortgage-Backed Securities Division Clearing Rules](#), the Intraday Mark-to-Market Charge is an additional charge collected from a Clearing Member to mitigate the Corporation’s exposures that may arise from intraday changes in the size, composition, and constituent security prices of such Member’s portfolio.

In typical market conditions, the Intraday Mark-to-Market charge applies to Clearing Members that experience an intraday increase in Mark-to-Market exposure that exceeds a dollar threshold of \$1,000,000, a percentage threshold of 30 percent as compared to the daily VaR charge, and that have 12-month backtesting coverage below a target of 99 percent.

The Corporation may collect an Intraday Mark-to-Market Charge from a Clearing Member that experiences an increase in Mark-to-Market exposure that is greater than or equal to 20 percent of the daily VaR charge and exceeds a minimum Surveillance Threshold of \$1,000,000 if the Corporation determines that the size of such Clearing Member’s Mark-to-Market change exposes the Corporation to increased risk.

Additionally, under volatile market conditions, the Corporation may reduce the dollar threshold of the intraday increase in exposure to no less than \$250,000, may reduce the threshold percentage to no less than five percent of the daily VaR, and may choose not to consider backtesting coverage when determining Intraday Mark-to-Market charge application. During the volatile market conditions, the Corporation sends a notification to all MBSD CFM contacts and all MBSD Director of Ops alerting the potential intraday calls.

As stated in Section 2(a) of Rule 4, payment for the Intraday Mark-to-Market Charge must be made by the affected Member within one hour after the Corporation has provided such Member with notification that payment of such amount is due that same day (as long as notification is provided at least one hour prior to the close of the cash Fedwire operated by the Federal Reserve Bank of New York).

Payment shall be due within one hour of a new Clearing Fund letter’s availability in the Real-Time Trade

Matching (“RTTM”) system. The Corporation reminds the Clearing Members that the deadline to initiate request excess cash or collateral from CFM system is 12:00PM and CFM’s securities window closes at 3:00PM EST, and no further securities movements initiated for funding purposes will occur after such time. As such, Intraday Mark-to-Market Charges must be funded with cash after 3:00PM EST. To minimize late day cash funding, Clearing Members may leave excess deposits to cover the Intraday Mark-to-Market Charges.

Please direct any questions to FICC Market Risk at 1-212-855-2020.

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