



B #:	15129-21
Date:	May 4, 2021
To:	All Participants
Category:	Settlement
From:	DTC Risk Management
Attention:	Settlement Manager/Managing Director/Cashier
Subject:	Changes to DTC Collateral Haircuts

Beginning May 4, 2021, for Settlement Date May 5, 2021, DTC will update the list of current lenders (“Lender”) to the joint DTC and NSCC committed 364-day line-of-credit facility with a consortium of banks (“LOC Agreement”). The list of current lenders to the LOC Agreement will be updated to exclude BMO Harris Bank NA and Texas Capital Bank, National Association, which are no longer Lenders to the LOC Agreement. Please see the list of lenders in Appendix A below.

As a reminder, to help manage intraday transaction blockages due to DTC’s risk management controls, Participants can (i) designate additional securities as collateral, (ii) process delivery-versus-payment transactions that will generate intraday credits, or (iii) submit settlement progress payments via Fedwire®. Participants can monitor their Collateral Monitor balance via the Risk Management Controls Inquiry link in the Cash and Balances tab in the Settlement Web.

For more information related to collateral processing at DTC, please see DTC’s Settlement Service Guide.¹

Questions regarding this notice should be directed to:

- your Relationship Manager or
- DTC Risk Hotline (212) 855-2260.

Appendix A

The issuer banks listed in Table 1, below, are the current lenders (“Lenders”) to LOC Agreement. Pursuant to the LOC Agreement, securities issued by an affiliate of any Lender (“Lender Family Issued Securities” or “Lender FIS”) are excluded as eligible collateral for securing a draw on the facility. The exclusion derives from compliance concerns for certain Lenders with Section 23A of the Federal Reserve Act (“Section 23A”)² and Regulation W of the Board of Governors of the Federal Reserve System.³

In general, Section 23A and Regulation W limit the aggregate amount of “covered transactions” between a bank and any single affiliate of the bank. “Covered transactions” include, among other things, a bank’s acceptance of securities or other debt obligations issued by an affiliate as collateral security for a loan or extension of credit to any

¹ Available at <http://www.dtcc.com/~media/Files/Downloads/legal/service-guides/Settlement.pdf>

² 12 U.S.C. § 371c.

³ 12 CFR Part 223.

person or company.⁴ Thus, to avoid running afoul of the restrictions imposed by Section 23A and Regulation W, the LOC Agreement excludes Lender FIS as eligible collateral.

In order to align the collateral value that DTC assigns to Lender FIS with the LOC Agreement, as part of DTC's risk management controls, DTC will apply a 100% haircut and assign no collateral value to any current or future Lender FIS held as Net Additions in a Participant account.

Table 1:

Lender
JPMorgan Chase Bank, N.A.
Bank of America, N.A.
Bank of China, New York Branch
Industrial and Commercial Bank of China Limited, New York Branch
United Overseas Bank Limited, New York Agency
Commerzbank AG, New York Branch
Royal Bank of Canada
The Bank of Nova Scotia
Wells Fargo Bank, National Association
Agricultural Bank of China Ltd, New York Branch
U.S. Bank National Association
Santander Bank, N.A.
MUFG Bank, Ltd.
The Toronto-Dominion Bank, New York Branch
Australia and New Zealand Banking Group Limited
Bank of Communications Co., Ltd., New York Branch
Citibank, N.A.
Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch
Barclays Bank PLC
Credit Suisse AG, Cayman Islands Branch
Deutsche Bank AG New York Branch
State Street Bank and Trust Company
The Bank of New York Mellon
Credit Agricole Corporate and Investment Bank
Goldman Sachs Bank USA
Morgan Stanley Bank, N.A.
UBS AG, Stamford Branch
Citizens Bank, NA
HSBC Bank USA, N.A.
Associated Bank, N.A.
CIBC Bank USA
Comerica Bank
Brown Brothers Harriman & Co.
Taiwan Cooperative Bank, Seattle Branch
Standard Chartered Bank

⁴ 12 U.S.C. § 371c(b)(7) and 12 CFR 223.3(h).

Appendix B – Eligible Collateral (United States Agencies and GSE securities)

Security Type	Rating (S&P/Moody)	Collateral Haircut
MBS issued by a US Agency and US Government Sponsored Enterprise (GSE)	AAA to AA / Aaa to Aa2	7%
MBS issued by a US Agency and US Government Sponsored Enterprise (GSE)	Not Rated or Rated below Aa2/AA	100%
Interest bearing Agency unsecured notes, debentures and other interest-bearing obligations of (i) instrumentalities of the U.S. or (ii) GSEs		
GNMA, FNMA, FHLMC, remaining terms to maturity of up to 10 years	AAA to AA / Aaa to Aa2	5%
All other GSEs not under US Govt conservatorship with remaining terms to maturity of up to 10 years	AAA to AA / Aaa to Aa2	7%
GNMA, FNMA, FHLMC, remaining terms to maturity in excess of 10 years	AAA to AA / Aaa to Aa2	7%
All other GSEs not under US Govt conservatorship with remaining terms to maturity in excess of 10 years	AAA to AA / Aaa to Aa2	10%
GNMA, FNMA, FHLMC with any remaining maturity	Not Rated or rated below Aa2/AA	100%
All other GSEs not under US Govt conservatorship with any remaining maturity	Not Rated or rated below Aa2/AA	100%
Zero Coupon Agency unsecured notes, debentures and other interest bearing obligations of (i) Instrumentalities of the U.S. or (ii) GSEs		
GNMA, FNMA, FHLMC, remaining terms to maturity of up to 5 years	AAA to AA / Aaa to Aa2	7%
All other GSEs not under US Govt conservatorship with remaining terms to maturity of up to 5 years	AAA to AA / Aaa to Aa2	7%
GNMA, FNMA, FHLMC, remaining terms to maturity in excess of 5 years	AAA to AA / Aaa to Aa2	12%
All other GSEs not under US Govt conservatorship with remaining terms to maturity in excess of 5 years	AAA to AA / Aaa to Aa2	18%
GNMA, FNMA, FHLMC with any remaining maturity	Not Rated or rated below Aa2/AA	100%
All other GSEs not under US Govt conservatorship with any remaining terms to maturity	Not rated or rated below Aa2/AA	100%
Agency CMOs		
Supported by US Govt conservatorship and 2 Vendor prices	AAA to AA / Aaa to Aa2	20%
< 2 Vendor Prices		100%

Appendix C – Eligible Collateral (All categories)

Security Type	Rating (S&P/Moody)	Collateral Haircut
Interest bearing United States Treasury Securities		
with remaining terms to maturity of up to 2 years		2%
with remaining terms to maturity in excess of 2 years and up to 5 years		3%
with remaining terms to maturity in excess of 5 years and up to 10 years		4%
with remaining terms to maturity in excess of 10 years		6%
Zero Coupon United States Treasury Securities		
with remaining terms to maturity of up to 2 years		2%
with remaining terms to maturity in excess of 2 years and up to 5 years		5%
with remaining terms to maturity in excess of 5 years		12%
MBS issued by a US Agency and US Government Sponsored Enterprise (GSE)	AAA to AA / Aaa to Aa2	7%
MBS issued by a US Agency and US Government Sponsored Enterprise (GSE)	Not Rated or Rated below Aa2/AA	100%

Security Type	Rating (S&P/Moody)	Collateral Haircut
Interest bearing Agency unsecured notes, debentures and other interest-bearing obligations of (i) instrumentalities of the U.S. or (ii) GSEs		
GNMA, FNMA, FHLMC, remaining terms to maturity of up to 10 years	AAA to AA / Aaa to Aa2	5%
All other GSEs not under US Govt conservatorship with remaining terms to maturity of up to 10 years	AAA to AA / Aaa to Aa2	7%
GNMA, FNMA, FHLMC, remaining terms to maturity in excess of 10 years	AAA to AA / Aaa to Aa2	7%

All other GSEs not under US Govt conservatorship with remaining terms to maturity in excess of 10 years	AAA to AA / Aaa to Aa2	10%
GNMA, FNMA, FHLMC with any remaining maturity	Not Rated or rated below Aa2/AA	100%
All other GSEs not under US Govt conservatorship with any remaining maturity	Not Rated or rated below Aa2/AA	100%
Zero Coupon Agency unsecured notes, debentures and other interest bearing obligations of (i) Instrumentalities of the U.S. or (ii) GSEs		
GNMA, FNMA, FHLMC, remaining terms to maturity of up to 5 years	AAA to AA / Aaa to Aa2	7%
All other GSEs not under US Govt conservatorship with remaining terms to maturity of up to 5 years	AAA to AA / Aaa to Aa2	7%
GNMA, FNMA, FHLMC, remaining terms to maturity in excess of 5 years	AAA to AA / Aaa to Aa2	12%
All other GSEs not under US Govt conservatorship with remaining terms to maturity in excess of 5 years	AAA to AA / Aaa to Aa2	18%
GNMA, FNMA, FHLMC with any remaining maturity.	Not Rated or rated below Aa2/AA	100%
All other GSEs not under US Govt conservatorship with any remaining terms to maturity.	Not rated or rated below Aa2/AA	100%

Fixed-rate, non-callable, non-amortizing Canadian Dollar (CAD) - denominated negotiable debt obligations with fixed maturity, in book entry form, issued by the federal Government of Canada		
with remaining terms to maturity of up to 10 years	AAA / Aaa	4%
with remaining terms to maturity in excess of 10 years	AAA / Aaa	8%
Zero coupon Canadian Dollar (CAD) - denominated negotiable debt obligations with fixed maturity, in book entry form, issued by the federal Government of Canada		
with remaining terms to maturity of up to 10 years	AAA / Aaa	7%
with remaining terms to maturity in excess of 10 years	AAA / Aaa	14%

Security Type	Rating (S&P/Moody)	Collateral Haircut
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Agency CMOs		
Supported by US Govt conservatorship and 2 Vendor prices	AAA to AA / Aaa to Aa2	20%
< 2 Vendor Prices		100%

Medium-Term Notes / Corporate Bonds		
	AAA to A- / Aaa to A3	20%
	BBB+ to BBB- / Baa1 to Baa3	30%
	BB+ to BB- / Ba1 to Ba3	40%
	B+ to B- / B1 to B3	50%
	CCC+ / Caa1 and below or unrated	100%

Municipal Bonds		
	AAA to A- / Aaa to A3	25%
	BBB+ to BBB- / Baa1 to Baa3	30%
	BB+ to BB- / Ba1 to Ba3	100%
	B+ / B1 and below or unrated	100%

Money market Instruments		
Corporate Commercial Paper Discount Notes (maturity not to exceed one year)	A-1+ to A-1 / P-1	6%
	A-2 / P-2	30%
	A-3 / P-3	100%
	below A-3 / P-3 or unrated	100%
Institutional Negotiable Certificates of Deposit (original maturity 270 days or less)	A-1+ to A-1 / P-1	6%
	A-2 / P-2	100%
	A-3 / P-3	100%
	below A-3 / P-3 or unrated	100%
Municipal Commercial Paper Discount Notes, Municipal Notes and Other Short Term Municipal Debt (maturity not to exceed one year)	SP-1+ to SP-1 / MIG-1	10%
	SP-2 / MIG-2	100%
	SP-3 / MIG-3	100%
	below SP-3 / MIG-3	100%
Preferred Stock in CP mode	All	100%
Bankers Acceptances	All	100%
Discount Notes	All	100%
Short Term Bank Notes	All	100%

Institutional Negotiable Certificates of Deposit (original maturity greater than 270 days, with remaining maturity of up to five years)		
	AAA to A- / Aaa to A3	10%
	BBB+ to BBB- / Baa1 to Baa3	25%
	BB+ to BB- / Ba1 to Ba3	100%
	B+ to B- / B1 to B3	100%
	CCC+ / Caa1 and below or unrated	100%
with remaining maturity of more than 5 years	All	100%

Security Type	Rating (S&P/Moody)	Collateral Haircut
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Corporate and Municipal Variable-Rate Demand Obligations (non-CP Mode with 2 Agency Ratings)		
	AAA / Aaa	20%
	AA+ to AA- / Aa1 to Aa3	35%
	A+ to A- / A1 to A3	50%
	BBB+ to BBB- / Baa1 to Baa3	75%
	BB+ / Ba1 and below or unrated	100%
less than 2 Agency Ratings		100%

Corporate and Municipal Variable-Rate Demand Obligations (in-CP Mode)		
	All	100%

Non-Agency CMOs		
2 Agency Ratings & 2 Vendor Prices	AAA / Aaa	50%
2 Agency Ratings & 2 Vendor Prices	AA+ to AA- / Aa1 to Aa3	60%
2 Agency Ratings & 2 Vendor Prices	A+ / A1 and below or unrated	100%
< 2 Agency Ratings or < 2 Vendor Prices		100%

Publicly issued Asset Backed Securities (ABS)		
2 Vendor prices	AAA / Aaa	35%
2 Vendor prices	AA+ to AA- / Aa1 to Aa3	45%
2 Vendor prices	A+ / A1 and below or unrated	100%
< 2 Vendor prices		100%

Equity Securities (Common, Preferred) listed on a U.S. national securities exchange, NASDAQ, or a Canadian securities exchange		
with a market price of \$10.00 or more per share or per other unit		25%
with a market price between \$7.50 and \$9.99 per share or		30%
with a market price between \$5.00 and \$7.49 per share or		50%
with a market price below \$5.00 per share or per other unit		100%

Equity Securities (Warrants, Rights, Units, Closed End Mutual Funds) listed on a U.S. national securities exchange, NASDAQ, or a Canadian securities exchange with a market price of \$5.00 or more per share or per other unit		
with a market price of \$5.00 or more per share or per other unit		50%
with a market price below \$5.00 per share or per other unit		100%

American Depository Receipts (ADRs) traded OTC		
with a market price of \$5.00 or more per share or per other unit		50%
with a market price below \$5.00 per share or per other unit		100%

Security Type	Rating (S&P/Moody)	Collateral Haircut
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UITs listed or not listed on a U.S. national securities exchange, NASDAQ, or a Canadian securities exchange		
with a market price of \$5.00 or more per share or per other unit		50%
with a market price below \$5.00 per share or per other unit		100%

Equity Securities (Common, Preferred, Warrants, Rights, Units) not listed on a U.S. national securities exchange, NASDAQ, or a Canadian securities exchange		
with a market price of \$5.00 or more per share or per other unit		65%
with a market price below \$5.00 per share or per other unit		100%
144A / Reg S (All Securities - Equity & Debt)	All	100%
Auction Rate Preferred Stock and Tender Rate Preferred Stock		100%

1. Securities are assigned a 100% haircut if the issue has matured, the issuer is in bankruptcy or the security is not priced by an approved DTC pricing model or by a third-party vendor.
2. DTC may reduce its risk by assigning higher haircuts, where applicable, to equity securities designated as highly volatile, based on their historical price volatility.