

Agent Lender Custodian

Profile Description: Bank that settles and custodies client activity inclusive of asset servicing, life cycle events, and yield enhancement services for custodied assets.

Trading Activity: Trading products can include Fixed Income and Equities.

Key Considerations Related to Central Clearing



Capital Considerations

If acting as a clearing intermediary for clients, costs of capital may be challenging, particularly for agent businesses whose primary revenue source are typically fees.



Clearing Costs

If acting as a clearing intermediary for clients, very sensitive to cost of posting margin, CCLF, and clearing agency fees.



Capacity for Client Intermediation

Given the typically limited balance sheets of agent lender custodians, clearing may provide unique ability to offer principal “done-with” client intermediation services due to balance sheet netting opportunities.



Jurisdiction of Clients

Client base highly global in nature.

Recommended Access Model



ACM

Recommended based on feedback from similar firms evaluating their USTC requirements

Key Access Model Considerations

- If the Agent Lender Custodian is acting as a clearing intermediary for its clients, **ACM Access** provides:
 - “Done-away” clearing capabilities (which align with agent-type client services)
 - “Light-touch” clearing agency onboarding process for clients
 - Access for clients, including those not from **FICC-approved jurisdictions**
 - Net/Non-Seg margin option across client omnibus account if ACM posts margin to clearing agency (as opposed to the client)
 - **Note:** Balance sheet netting for “done-with” repo activity in ACM model currently being considered by the accounting community could present new opportunities for Agent Lender Custodians
- **Sponsored Access (Alternative):** If the Agent Lender Custodian is acting as a clearing intermediary for its clients, balance sheet netting opportunities are critical for principal “done-with” repo activity with clients, and may sway repo activity toward the Sponsored model.

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