

The Depository Trust & Clearing Corporation

EXTENDING REPO CLEARING CAPABILITIES TO THE INSTITUTIONAL MARKET

Fixed Income Clearing Corporation (FICC), a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (DTCC), is the leading provider of trade comparison, netting and settlement for the U.S. Government securities marketplace. FICC's Government Securities Division (GSD) was established in 1986 to provide automated comparison and settlement services, risk-management benefits and operational efficiencies to the Government securities industry. GSD clients include the nation's major brokers and dealers, as well as a wide range of entities that trade U.S. Government securities.

Through an innovative suite of new and expanded service offerings, FICC is leveraging its battle-tested infrastructure and proven technology to expand the availability of central clearing to the bilateral repo market.

ABOUT NEW CENTRALLY CLEARED INSTITUTIONAL TRIPARTY (CCIT™) SERVICE

FICC is the only central counterparty (CCP) platform in the U.S. that clears tri-party repo and debt transactions. Since 1998, FICC's GCF Repo® Service has enabled its dealer members to trade FICC-cleared general collateral repos with each other based on rate, term and underlying product through the day without requiring intra-day, trade-for-trade settlement on a Delivery-versus-Payment (DVP) basis.

As an expansion of the GCF Repo® Service, the CCIT Service extends FICC's CCP services and guarantee of completion of eligible trades to tri-party repo transactions between GSD dealer members and eligible tri-party money lenders.

- **FICC Membership Requirements.** A new limited GSD membership type was created for tri-party money lenders (referred to as CCIT Membership). As principal counterparties to the CCP, individual tri-party money lenders are required to become CCIT Members at the legal entity level.
- **Trade Submission and Matching.** For trade matching purposes, GSD accounts for tri-party money lenders may be opened at the legal entity level or at the joint account level. Investment advisers, agent lenders or other authorized agents may submit trades to FICC on behalf of their tri-party money lender clients.

- **Tri-Party Account Requirements.** Each tri-party money lender or joint account (as applicable) will also be required to open a specific tri-party account for the CCIT Service at the applicable tri-party bank.

ABOUT SPONSORED DVP REPO SERVICE

Since 2005, FICC has offered a service that allows well-capitalized Bank Members to sponsor their eligible clients into GSD membership. Sponsored membership at GSD offers eligible clients the ability to lend cash via FICC-cleared DVP repo throughout the day. Sponsoring Member Banks facilitate their sponsored clients' GSD trading activity and act as processing agents on their behalf for all operational functions, including trade submission and settlement with the CCP.

- **Sponsored Member Eligibility.** Historically limited to Registered Investment Companies that are also Qualified Institutional Buyers.
- **Recent Service Expansion.** FICC now permits all Qualified Institutional Buyer clients of Sponsoring Member Banks to have their eligible DVP activity novated to FICC.

BENEFITS OF REPO CLEARING AT FICC

1. Reduction of counterparty risk by guaranteeing the completion of settlement in a member default scenario:
 - CCP guarantee may mitigate risk of a large scale exit by institutional investors in a stress scenario.
 - A centralized liquidation of a failed counterparty by FICC would reduce the risk of "fire sales" that drive down asset prices and spread stress across the financial system.
2. Members could be eligible for balance sheet and capital relief. Centrally clearing these transactions at FICC could alleviate the constraints on borrowers as it may enable them to:
 - Reduce capital usage via netting, potentially enabling the redeployment of scarce capital to other uses
 - Apply lower risk weights in their risk-based capital ratios
3. Lending through FICC offers institutional investors potential growth of their on-loan balances and income as borrowers shift their demand to CCP channels



FOR MORE INFORMATION

If you would like further information regarding FICC's CCIT or Sponsored DVP Repo services, please contact Client Support at 1-212-855-7600, or by email at rmsupport@dtcc.com.

Or visit us on the web at www.dtcc.com

ABOUT DTCC

With over 40 years of experience, DTCC is the premier post-trade market infrastructure for the global financial services industry. From operating facilities, data centers and offices in 16 countries, DTCC, through its subsidiaries, automates, centralizes and standardizes the post-trade processing of financial transactions, mitigating risk, increasing transparency and driving efficiency for thousands of broker/dealers, custodian banks and asset managers worldwide. Industry owned and governed, the firm simplifies the complexities of clearing, settlement, asset servicing, data management and information services across asset classes, bringing increased security and soundness to the financial markets. In 2015, DTCC's subsidiaries processed securities transactions valued at more than US\$1.5 quadrillion. Its depository provides custody and asset servicing for securities issues from over 130 countries and territories valued at US\$45.4 trillion. DTCC's global trade repository maintains approximately 40 million open OTC positions and processes roughly 280 million messages a week. To learn more, connect with us on LinkedIn, Twitter, YouTube and Facebook.