

**Bold and underlined text** indicates proposed new language

**~~Bold and strikethrough text~~** indicates proposed deleted language

**FIXED INCOME CLEARING CORPORATION  
GOVERNMENT SECURITIES DIVISION RULEBOOK**

## **RULE 1 – DEFINITIONS\***

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### **Indemnified Person**

**The term “Indemnified Person” shall have the meaning given to that term in Section 9(iii) of Rule 3.**

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### **Off-the Market Transaction**

The term “Off-the-Market Transaction” means either of the following:

(1) A single transaction that is:

- (i) greater than \$1 million in par value; and
- (ii) executed at a contract price that is either higher or lower (by a percentage amount determined by the Corporation based on factors such as market conditions) than the System Price for the underlying Eligible Netting Security on the day of the submission of data on the transaction to the Corporation;

(2) A pattern of transactions submitted by two Members that, if looked at as a single transaction, would be encompassed by subsection (1) of this definition.

**An Off-the-Market Transaction includes a Sponsored Member Trade in which the Sponsored Member provided an Initial Haircut.**

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## **RULE 3 – ONGOING MEMBERSHIP REQUIREMENTS**

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### **Section 9 - Compliance with Laws**

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\* All products and services provided by the Corporation referenced in these Rules are either registered trademarks or servicemarks of, or trademarks or servicemarks of, The Depository Trust & Clearing Corporation or its affiliates. Other names of companies, products or services appearing in these Rules are the trademarks or servicemarks of their respective owners.

\* \* \*

(iii) FATCA

\* \* \*

An FFI Member ~~agrees to~~ **shall** indemnify the Corporation, **its affiliates, and each of their respective shareholders, directors, officers, employees, agents and advisors (each, an “Indemnified Person”)** for any loss, liability or expense sustained by the **Indemnified Person** ~~Corporation~~ as a result of such FFI Member failing to be FATCA Compliant.

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### **RULE 3A – SPONSORING MEMBERS AND SPONSORED MEMBERS**

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#### Section 1 – General

The Corporation may permit the establishment of a sponsored membership relationship between a Netting Member that is approved as a Sponsoring Member and one or more Persons that are accepted by the Corporation as Sponsored Members of that particular Sponsoring Member.

The rights, liabilities and obligations of Sponsoring Members and Sponsored Members shall be governed by this Rule 3A. References to a “Member” in other Rules shall not apply to Sponsoring Members ~~and to~~ **nor** Sponsored Members, in their respective capacities as such, unless specifically noted as such in this Rule 3A or in such other Rules.

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#### Section 2 – Qualifications of Sponsoring Members, the Application Process and Continuance Standards

(a) A Netting Member shall be eligible to apply to become a Category 1 Sponsoring Member if: (i) it is a Bank Netting Member, (ii) it has a level of equity capital as of the end of the month prior to the effective date of its membership of at least \$5 billion, (iii) it is “well-capitalized” as defined by the Federal Deposit Insurance Corporation’s applicable regulations, and (iv) if it has a bank holding company that is registered under the Bank Holding Company Act of 1956, as amended, such bank holding company is also “well-capitalized” as defined by the applicable regulations of the Board of Governors of the Federal Reserve System. A Netting Member that is a Tier One Netting Member, other than ~~an Inter-Dealer Broker Netting Member, or a Non-IDB Repo Broker with respect to activity in its Segregated Repo Account~~ **Repo Broker in its capacity as a broker**, shall be eligible to apply to become a Category 2 Sponsoring Member. The Corporation may require that a Person be a Netting Member for a time period deemed necessary by the Corporation before that Person may be considered to become a Sponsoring Member.

\* \* \*

(g) A Sponsoring Member shall promptly inform the Corporation, ~~both orally and~~ in writing, if it is no longer in compliance with the relevant standards and qualifications for applying to become a Sponsoring Member set forth in this Rule 3A. Notification must take place immediately and in no event later than 2 business days from the date on which the Sponsoring Member first learns of its non-compliance. ~~The Corporation shall assess a \$1,000 fine against any Sponsoring Member who fails to so notify the Corporation.~~ If the Sponsoring Member fails to maintain a standard, the Corporation will, if necessary, undertake appropriate action to determine the status of the Sponsoring Member and its continued eligibility as such. In addition, the Corporation may review the financial responsibility and operational capability of the Sponsoring Member, and otherwise require from the Sponsoring Member additional reports of its financial or operational condition at such intervals and in such detail as the Corporation shall determine. In addition, if the Corporation has reason to believe that a Sponsoring Member may fail to comply with any of the Rules applicable to Sponsoring Members, it may require the Sponsoring Member to provide it, within such timeframe, and in such detail, and pursuant to such manner as the Corporation shall determine, with assurances in writing of a credible nature that the Sponsoring Member shall not, in fact, violate any of these Rules.

**With respect to any of its Sponsored Members, a Sponsoring Member shall also submit to the Corporation written notice (i) within 1 business day of becoming aware that a Sponsored Member is no longer in compliance with the requirements of subsection (a) of Section 3 of this Rule 3A, and (ii) at least 90 calendar days prior to the effective date of any Reportable Event applicable to a Sponsored Member, unless the Sponsoring Member demonstrates that it could not have reasonably done so, in which case such notice shall be provided as soon as possible.**

**The Corporation shall assess a fine pursuant to the applicable Fine Schedule in these Rules against any Sponsoring Member who fails to notify the Corporation as required by this subsection (g) of Section 2 of this Rule 3A.**

\* \* \*

(i) A Sponsoring Member may voluntarily elect to terminate its status as a Sponsoring Member, with respect to all Sponsored Members or with respect to one or more Sponsored Members from time to time, by providing the Corporation with a written notice of such termination (**hereinafter**, “Sponsoring Member Voluntary Termination Notice”). The Sponsoring Member shall specify in the Sponsoring Member Voluntary Termination Notice a desired date for the termination of the Sponsoring Member’s status as such with respect to the Sponsored Member(s) as to which the Sponsoring Member has terminated such status (**hereinafter**, the “Former Sponsored Members”), which date shall not be prior to the scheduled final settlement date of any remaining obligation owed by the Sponsoring Member with respect to the Former Sponsored Members to the Corporation as of the time such Sponsoring Member Voluntary Termination Notice is submitted to the Corporation, unless otherwise approved by the Corporation. ~~Such termination will not be effective until accepted by the Corporation, which shall be n~~No later than 10 Business Days after the receipt of the Sponsoring Member Voluntary Termination Notice from such Sponsoring Member, **the Corporation shall notify the Sponsoring Member that such notice has been accepted and the date the termination shall be effective (hereinafter the “Sponsoring Member Termination Date”).**

**If a Sponsoring Member has terminated its status as a Sponsoring Member with respect to all Sponsored Members, the Corporation's acceptance shall be evidenced by post an Important Notice to all Members announcing the termination of the Sponsoring Member's status as such with respect to the Former Sponsored Members a Sponsoring Member and the Sponsoring Member Termination Date effective date of such termination (hereinafter the "Sponsoring Member Termination Date").**

As of the Sponsoring Member Termination Date, the Sponsoring Member shall no longer be eligible to submit trades on behalf of its Former Sponsored Members and each of its Former Sponsored Members shall cease to be a Sponsored Member unless it is the Sponsored Member of another Sponsoring Member. If any trade is submitted to the Corporation by the Sponsoring Member on behalf of its Former Sponsored Members that is scheduled to settle on or after the Sponsoring Member Termination Date, such Sponsoring Member's Sponsoring Member Voluntary Termination Notice will be deemed void, and the Sponsoring Member will remain subject to this Rule as if it had not given such Sponsoring Member Voluntary Termination Notice.

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**Section 3 – Qualifications of Sponsored Members, Approval Process and Continuance Standard**  
**Section 3 – Qualifications of Sponsored Members, Approval Process and Continuance Standard**

\* \* \*

(c) Each Person to become a Sponsored Member shall sign and deliver to the Corporation a Sponsored Member Agreement whereby the Person shall agree to any terms and conditions deemed by the Corporation to be necessary in order to protect itself and its Members. Each Person to become a Sponsored Member that shall be an FFI Member must be FATCA Compliant **and is subject to the requirements of Section 9(iii) of Rule 3.**

~~(d) A Sponsored Member shall immediately inform its Sponsoring Member, both orally and in writing, if the Sponsored Member is no longer in compliance with the requirements of subsection (a) of this Section 3. A Sponsoring Member shall promptly inform the Corporation, both orally and in writing, if a Sponsored Member is no longer in compliance with the requirements of subsection (a) of this Section 3. Notification to the Corporation by the Sponsoring Member must take place within 1 business day from the date on which the Sponsoring Member first learns of the Sponsored Member's non-compliance. The Corporation shall assess a \$1,000 fine against any Sponsoring Member who fails to so notify the Corporation. The Corporation shall may, pursuant to Section 13 of this Rule 3A, cease to act for a Sponsored Member that is no longer in compliance with the requirements of subsection (a) of this Section 3.~~

(e) A Sponsored Member may voluntarily elect to terminate its membership by providing the Corporation with a written notice of such termination (**hereinafter, the** "Sponsored Member Voluntary Termination Notice"). The Sponsored Member shall specify in the Sponsored Member Voluntary Termination Notice a desired date for the termination, which date shall not be prior to the scheduled final settlement date of any remaining obligation owed by the Sponsored

Member to the Corporation as of the time such Sponsored Member Voluntary Termination Notice is submitted to the Corporation, unless otherwise approved by the Corporation. ~~Such termination will not be effective until accepted by the Corporation, which shall be n~~No later than 10 Business Days after the receipt of the Sponsored Member Voluntary Termination Notice from such Sponsored Member, the Corporation shall notify the Sponsored Member and all Sponsoring Members for that Sponsored Member that such notice has been accepted and the date the termination shall be effective (hereinafter the “Sponsoring Member Termination Date”).

The Corporation’s ~~acceptance~~ shall ~~be evidenced by post an Important n~~Notice to all Members announcing the termination of the Sponsored Member’s membership with the Corporation and the effective date of such termination (hereinafter, the “Sponsored Member Termination Date”). As of the Sponsored Member Termination Date, the relevant Sponsoring Member shall no longer be eligible to submit trades on behalf of the Sponsored Member. If any trade is submitted to the Corporation by the relevant Sponsoring Member on behalf of the Sponsored Member that is scheduled to settle on or after the Sponsored Member Termination Date, such Sponsored Member’s Sponsored Member Voluntary Termination Notice will be deemed void, and the Sponsored Member will remain subject to this Rule as if it had not given such Sponsored Member Voluntary Termination Notice.

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**Section 4 – Compliance with the Laws**~~Section 4 – Compliance with Laws~~

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**Section 5 – Sponsored Member Trades**~~Section 5 – Sponsored Member Trades~~

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**Section 6 – Trade Submission and the Comparison System**~~Section 6 – Trade Submission and the Comparison System~~

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(b) The Corporation has established standards for designating those Members who shall be required to participate in annual business continuity and disaster recovery testing that the Corporation reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets in the event that business continuity and disaster recovery plans are required to be activated. The standards shall take into account factors such as: (1) activity-based thresholds; (2) significant operational issues of the Member during the twelve months prior to the designation; and (3) past performance of the Member with respect to operational testing. The specific standards adopted by the Corporation and any updates or modifications thereto shall be published to Members and applied on a prospective basis.

Upon notification that the Member has been designated to participate in the annual business continuity and disaster recovery testing, as described above, Members shall be required to fulfill, within the timeframes established by the Corporation, certain testing requirements (the scope of such testing to be determined by the Corporation in its sole discretion) and related reporting requirements (such as reporting the test results to the Corporation in a manner specified by the Corporation) that may be imposed by the Corporation.

The comparison of Sponsored Member Trades shall be governed by Rule 5 and either: (i) Rule 6A, **(ii) Rule 6B** or ~~(iii)~~**(ii)** Sections 1, 2, 4, 6 through 10 and 13 of Rule 6C depending upon the type of comparison for which the Sponsored Member Trades are submitted. The Sponsoring Member shall act as processing agent for performing all functions and receiving Reports and information set forth in these trade submission and comparison Rules on behalf of its Sponsored Members. The Corporation's provision of such Reports and information to the Sponsoring Member shall constitute satisfaction of the Corporation's obligations to provide such Reports and information to the affected Sponsored Members.

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#### **Section 8 – Securities Settlement**~~Section 8 – Securities Settlement~~

(a) The following provisions apply to Sponsored Member Trades other than Sponsored GC Trades:

\* \* \*

(iii) Each Sponsored Member shall be responsible for satisfying its allocable portion (calculated for such Sponsored Member as stated in Section 7(a) of this Rule 3A of the Deliver Obligations and Receive Obligations established for the Sponsoring Member Omnibus Account, using its Sponsoring Member as a processing agent, in the same manner set forth in Sections 9 through 12 of Rule 11 and Sections 1 through 5, 7, 9, 10, and 11 of Rule 12 for Netting Members. With respect to Section 1 of Rule 12, the optional Pair-Off Service shall be available to Sponsored Member Trades within the meaning of section (a)~~(ii)~~ of that definition. With respect to Section 5 of Rule 12, the Sponsoring Member shall inform the Corporation as to the manner in which a partial delivery, if any, was allocated among the Sponsored Members. Notwithstanding anything to the contrary in these Rules or any Sponsoring Member Guaranty, a Sponsoring Member's satisfaction of the net Deliver Obligations and Receive Obligations to the Corporation with respect to the Sponsoring Member Omnibus Account of such Sponsoring Member prior to such Sponsoring Member's receipt of any Sponsored Member's payment or delivery of its allocable portion of such Deliver Obligations or Receive Obligations shall constitute performance by the Sponsoring Member under its Sponsoring Member Guaranty with respect to such Sponsored Member's allocable portion of the Sponsoring Member Omnibus Account Deliver Obligations and Receive Obligations, regardless of the manner or capacity in which the Sponsoring Member satisfies such net Deliver Obligations and Receive Obligations.

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Section 9 – Funds-Only Settlement

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Section 10 – Clearing Fund Obligations~~Section 10 – Clearing Fund Obligations~~

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(b) ~~In the ordinary course, f~~For purposes of satisfying the Sponsoring Member's Clearing Fund requirements under the Rules for both its Netting Member activity and its Sponsoring Member activity, the Sponsoring Member's Netting System accounts and its Sponsoring Member Omnibus Account shall be treated separately, as if they were accounts of separate entities. Notwithstanding the previous sentence, however, **the Corporation shall have the right to apply a Sponsoring Member's Clearing Fund deposits to any obligations of that Sponsoring Member as otherwise permitted pursuant to Rule 4.** ~~the Corporation may, in its sole discretion, at any time and without prior notice to the Sponsoring Member (but being obliged to given notice to the Sponsoring Member as soon as possible thereafter) and whether or not the Sponsoring Member or any of its Sponsored Members is in default of its obligations to Corporation, treat the Sponsoring Member's accounts as a single account for the purpose of applying Clearing Fund deposits; apply Clearing Fund deposits made by the Sponsoring Member with respect to any account as necessary to ensure that the Sponsoring Member meets all of it obligations to the Corporation under any other account(s); and otherwise exercise all rights to offset and net against the Clearing Fund deposits any net obligations among any or all of the accounts, whether or not any other Person is deemed to have any interest in such account.~~

Section 12 – Loss Allocation Obligations~~Section 12 – Loss Allocation Obligations~~

(a) Sponsored Members shall not be obligated for allocations, pursuant to Rule 4, of loss or liability incurred by the Corporation. To the extent that a loss or liability is determined by the Corporation to arise in connection with Sponsored Member Trades (i.e., in connection with the insolvency or default of a Sponsoring Member), the Sponsored Members shall not be responsible for or considered in the loss allocation calculation, but rather such loss shall be allocated to Tier One Netting Members in accordance with the principles set forth in Section 7 of Rule 4. **Except as expressly set forth in this Section 12, if a loss or liability of the Corporation is determined to arise in connection with the close-out or liquidation of a Sponsored Member Trade of a Sponsored Member that is an Off-the-Market Transaction because the Sponsored Member has provided an Initial Haircut, the Corporation shall allocate such loss or liability attributable to the Initial Haircut to such Sponsored Member in accordance with the provisions of Section 7 of Rule 4.**

(b) To the extent the Corporation incurs a loss or liability from a Defaulting Member Event or a Declared Non-Default Loss Event and a loss allocation obligation arises that would be the responsibility of the Sponsoring Member Omnibus Account if the Sponsoring Member Omnibus Account were a Netting Member, the Corporation shall calculate such loss allocation obligation as if the affected Sponsored Members were subject to such allocations pursuant to



Section 7 of Rule 4, but the Sponsoring Member shall be responsible for satisfying such obligations.

(c) ~~The entire amount of the Required Fund Deposit associated with the Sponsoring Member's Netting System accounts and the entire amount of the Sponsoring Member's Omnibus Account Required Fund Deposit may be used to satisfy any amount allocated against a Sponsoring Member in its capacity as either a Netting Member or a Sponsoring Member.~~ With respect to an obligation to make payment due to any loss allocation amounts assessed to a Sponsoring Member pursuant to subsection (b) above, the Sponsoring Member may instead elect to terminate its membership in the Corporation pursuant to Section 7b of Rule 4 and thereby benefit from its Loss Allocation Cap pursuant to Section 7 of Rule 4; however, for the purpose of determining the Loss Allocation Cap for such Sponsoring Member, its Required Fund Deposit shall be the sum of its Required Fund Deposit and its Sponsoring Member's Omnibus Account Required Fund Deposit.

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**Section 13 – Restrictions on Access to Services by a Sponsored Member**~~Section 13—  
Restrictions on Access to Services by a Sponsored Member~~

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**Section 14 – Restrictions on Access to Services by a Sponsoring Member**~~Section 14—  
Restrictions on Access to Services by a Sponsoring Member~~

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**Section 15 – Insolvency of a Sponsored Member**~~Section 15—Insolvency of a Sponsored  
Member~~

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**Section 16 – Insolvency of a Sponsoring Member**~~Section 16—Insolvency of a Sponsoring  
Member~~

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**Section 18 – Liquidation of Sponsored Member and Related Sponsoring Member Positions**

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(b) Subject to the provisions of subsection (a) of this Section 18, on any Business Day, the Sponsoring Member or the Corporation may by written notice to the other cause the immediate termination of all, but not fewer than all, of the long and short Net Settlement Positions, Fail Net Settlement Positions and Forward Net Settlement Positions of the Sponsored Member established in the Sponsoring Member's Sponsoring Member Omnibus Account. Any such notice shall also cause the immediate termination of all of the corresponding, offsetting long and short Net Settlement Positions, Fail Net Settlement Positions and Forward Net Settlement Positions of the

Sponsoring Member established in the Sponsoring Member's Netting System Account(s). Each such termination shall be effected by the Sponsoring Member's establishment of a final Net Settlement Position for each Eligible Netting Security with a distinct CUSIP number that shall equal the net of all outstanding deliver obligations and receive obligations of the parties thereto in each such Eligible Netting Security including those that arise from Fail Net Settlement Positions and Forward Net Settlement Positions (**hereinafter**, the "Final Net Settlement Position").

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## **SCHEDULE OF SPONSORED GC TRADE TIMEFRAMES\*** \*\* \*\*\*

(all times are New York City times)

**10:30 p.m.**

**10:30 p.m.**

**to 2:00 a.m.**

Time during which reports will be made available with respect to the end of day Clearing Fund requirements and funds-only settlement requirements.

**9:00 a.m.**

Deadline for the GC Funds Borrower to satisfy the obligation described in Section 8(b)(ii) of Rule 3A in accordance with the provisions of Section 8(b)(vi) of Rule 3A. The Corporation reserves the right to also require a GC Funds Borrower to satisfy the obligation described in Section 8(b)(ii) on an intraday basis based on the market value of the applicable GC Repo Securities as determined by the GC Clearing Agent Bank in accordance with Section 8(b)(vii) of Rule 3A.

**10:00 a.m.**

Funds-only settlement debits and credits are executed via the Federal Reserve's National Settlement Service.

**12:00 p.m.**

Deadline for the GC Funds Borrower (or if the repo rate for the relevant Sponsored GC Trade is negative, the GC Funds Lender) to pay to the Corporation the accrued GC Daily Repo Interest as described in Section 8(b)(iv) in accordance with the provisions of Section 8(b)(vi) of Rule 3A (unless the End Leg of the related Sponsored GC Trade is due to settle on the same day).

**2:00 p.m.**

Time during which reports will be made available with respect to the intraday Clearing Fund requirements, and intraday funds-only settlement requirements.

**4:30 p.m.**

Intraday funds-only settlement debits and credits are executed via the Federal Reserve's National Settlement Service.

**5:00 p.m.**

Deadline for final input by Sponsoring Members to the Corporation of Sponsored GC Trade data.

**5:30 p.m.**

Deadline for (i) full settlement of the Start Leg of the Sponsored GC Trade in accordance with Section 7(b)(ii)(C) of Rule 3A, (ii) substitutions of Purchased GC Repo Securities in accordance with Section 8(b)(v) of Rule 3A, and (iii) satisfaction of GC Collateral Return Obligations and cash payment obligations associated with

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\* The time by which a GC Funds Lender is required to deliver any securities to a GC Funds Borrower in connection with Section 8(b)(iii) of Rule 3A shall be determined by the relevant Sponsored GC Clearing Agent Bank.

\*\* All times may be extended as needed by the Corporation to (i) address operational or other delays that would reasonably prevent members or the Corporation from meeting the deadline or timeframe, as applicable, or (ii) allow the Corporation time to operationally exercise its existing rights under these Rules. In addition, times applicable to the Corporation are standards and not deadlines; actual processing times may vary slightly, as necessary.

\*\*\* Any accrued GC Daily Repo Interest that is due on the settlement day of the End Leg of the related Sponsored GC Trade shall be paid in connection with the settlement of the End Leg.

GC Collateral Return Entitlements by GC Funds Lenders and GC Funds Borrowers, respectively, in accordance with Section 8(b)(i) of Rule 3A.

**SCHEDULE OF GC COMPARABLE SECURITIES<sup>††§§\*\*\*\*†††</sup>**

Generic Security Type	GC Repo Security Number	Description	GC Comparable Securities
TU10	84910LAB2	U.S. TREASURIES < 10 YR MATURITY	U.S. Treasury bills, notes and bonds <sup>†††</sup> (including U.S. Treasury floating rate notes) maturing in a time frame no greater than that of the securities that have been traded
TU30	84910LAA4	U.S. TREASURIES < 30 YR MATURITY	U.S. Treasury bills, notes and bonds (including U.S. Treasury floating rate notes) maturing in a time frame no greater than that of the securities that have been traded
AGCY	84910LAC0	NON-MORTGAGE BACKED U.S. AGENCY SECURITIES	Non-Mortgage Backed Securities issued by: <ul style="list-style-type: none"> <li>• Federal Farm Credit Banks</li> <li>• Federal Home Loan Bank</li> <li>• Federal Home Loan Mortgage Corporation</li> <li>• Federal National Mortgage Association</li> <li>• U.S. Treasury bills, notes and bonds (excluding U.S. Treasury floating rate notes)</li> </ul>

<sup>††</sup> Please refer to the Sponsored GC Clearing Bank for details regarding the Fed “tickers” applicable to GC Comparable Securities.

<sup>§§</sup> Government National Mortgage Association (“Ginnie Mae”) serial notes are not eligible as GC Comparable Securities.

<sup>\*\*\*</sup> U.S. Agency Real Estate Mortgage Investment Conduits (“REMICs”) and U.S. Agency Collateralized Mortgage Obligations (“CMOs”) are not eligible as GC Comparable Securities.

<sup>†††</sup> Eligible Securities with a maturity date of the next Business Day are not eligible as GC Comparable Securities.

<sup>†††</sup> For purposes of this Schedule, the references to U.S. Treasury bills, notes or bonds shall not include U.S. Treasury inflation-protected securities (“TIPS”) or U.S. Treasury Separate Trading of Registered Interest and Principal Securities (“STRIPS”).

Generic Security Type	GC Repo Security Number	Description	GC Comparable Securities
FFFIX	84910LAD8	<p>FEDERAL NATIONAL MORTGAGE ASSOCIATION (“FANNIE MAE”)</p> <p>&amp; FEDERAL HOME LOAN MORTGAGE CORPORATION (“FREDDIE MAC”)</p> <p>FIXED RATE MORTGAGE-BACKED SECURITIES</p>	<p>Fannie Mae and Freddie Mac Fixed Rate Mortgage-Backed Securities</p> <p>U.S. Treasury bills, notes and bonds (excluding U.S. Treasury floating rate notes)</p>
FFARM	84910LAE6	<p>FANNIE MAE &amp; FREDDIE MAC</p> <p>ADJUSTABLE RATE MORTGAGE-BACKED SECURITIES</p>	<p>Fannie Mae and Freddie Mac Fixed Rate and Adjustable Rate Mortgage-Backed Securities</p> <p>Ginnie Mae Fixed Rate and Adjustable Rate Mortgage-Backed Securities</p> <p>U.S. Treasury bills, notes and bonds (excluding U.S. Treasury floating rate notes)</p>
GNMA	84910LAF3	<p>GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (“GINNIE MAE”) FIXED RATE MORTGAGE-BACKED SECURITIES</p>	<p>Ginnie Mae Fixed Rate Mortgage-Backed Securities</p> <p>U.S. Treasury bills, notes and bonds (excluding U.S. Treasury floating rate notes)</p>
GNARM	84910LAG1	<p>GINNIE MAE ADJUSTABLE RATE MORTGAGE-BACKED SECURITIES</p>	<p>Ginnie Mae Adjustable Rate and Ginnie Mae Fixed Rate Mortgage-Backed Securities</p> <p>U.S. Treasury bills, notes and bonds (excluding U.S. Treasury floating rate notes)</p>

Generic Security Type	GC Repo Security Number	Description	GC Comparable Securities
TIPS	84910LAH9	U.S. TREASURY INFLATION-PROTECTED SECURITIES (“TIPS”)	U.S. Treasury inflation--protected notes and bonds U.S. Treasury bills, notes, <b>and</b> bonds (excluding U.S. Treasury floating rate notes)
STRP	84910LAJ5	U.S. TREASURY SEPARATE TRADING OF REGISTERED INTEREST AND PRINCIPAL OF SECURITIES (“STRIPS”)	U.S. Treasury STRIPS U.S. Treasury bills, notes <b>and</b> bonds (excluding U.S. Treasury floating rate notes)

## **INTERPRETIVE GUIDANCE WITH RESPECT TO SETTLEMENT FINALITY**

### *1. Interpretive Guidance With Respect to Settlement Finality – Funds-Only Settlement*

The point of finality for funds-only settlement by the Corporation is defined by the Federal Reserve Bank Operating Circular 12 (“Operating Circular 12”),<sup>1</sup> which governs NSS processing by the FRB. The Corporation and each Member’s Funds-Only Settling Bank is a “Settler” and together are in a “Settlement Arrangement” (each term as defined in Operating Circular 12) for purposes of funds-only settlement.<sup>2</sup> DTC, as the Settlement Agent (as defined in the Rules and in Operating Circular 12), provides the Settlement File (as defined in Operating Circular 12) to the FRB.<sup>3</sup> Each Settler maintains a Master Account (as defined in Operating Circular 12) with the FRB.<sup>4</sup> The point of finality in accordance with Operating Circular 12 is, for debits, the time at which the Settler’s Master Account is debited by the FRB,<sup>5</sup> and, for credits, the time at which the Settler’s Master Account is credited by the FRB.<sup>6</sup>

Therefore, the point of finality with respect to funds-only settlement by the Corporation is the point at which each of the Master Accounts for the Corporation and the Funds-Only Settling Banks designated by each of the Members have been debited and credited through NSS pursuant to the Settlement File provided by the Settlement Agent.

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<sup>1</sup> Federal Reserve Bank Operating Circular 12 (Multilateral Settlement), Effective June 30, 2016 (“Operating Circular 12”), available at <https://www.frbervices.org>

<sup>2</sup> For purposes of Operating Circular 12, the following definitions apply:

“Balance” means the amount listed on a Settlement File that a Settler owes (debit Balance) or is due (credit Balance) as a result of the clearing activities of the Settlement Arrangement.

“Master Account” means the Master Account (as that term is defined in the Reserve Banks’ Operating Circular 1, Account Relationships) of a Settler on the books of a Reserve Bank.

“Settler” means an entity that has established an account with a Reserve Bank and settles its own Balances, settles Balances for the account of another Participant, or both.

“Settlement Agent” means the entity authorized to act on behalf of the Settlers under Operating Circular 12.

“Settlement File” means the instructions submitted by a Settlement Agent showing the debit and credit Balances of the Settlers.

See Section 1.2 of Operating Circular 12. See also Federal Reserve Banks Operating Circular 1 (Account Relationships), Effective February 1, 2013, available at <https://www.frbervices.org>.

<sup>3</sup> See id.

<sup>4</sup> See id.

<sup>5</sup> See Section 5.4 of Operating Circular 12.

<sup>6</sup> See Section 5.6 of Operating Circular 12.



2. *Interpretive Guidance With Respect to Settlement Finality – Settlement for Securities Deliveries and Related Payment Obligations.*

Settlement for securities deliveries and related payment obligations occurs (i) on the books of the Corporation's designated clearing bank for each Member whose designated clearing bank for such settlement is the same as the Corporation's designated clearing bank and (ii) through the Fedwire system, for each Member whose designated clearing bank for such settlement is not the same as the Corporation's designated clearing bank.

(a) *Point of Finality on the Books of the Corporation's Clearing Bank.*

The point of finality relating to settlement of securities deliveries and related payment obligations that occurs on the books of the Corporation's clearing bank is the point at which the Corporation's clearing bank has acted upon a settlement instruction from the Corporation.

Pursuant to the agreement between the Corporation and the Corporation's clearing bank, a settlement instruction is an instruction by the Corporation to the clearing bank in respect of settlement that: (1) (a) instructs the clearing bank to direct delivery, from the Corporation's account to the Member account(s) designated in such settlement instruction, of securities specified for each such Member account and (b) specifies the dollar amounts that the clearing bank is simultaneously to take collection of from each of the respective Member accounts designated in the settlement instruction for the Corporation's account; or (2) (a) instructs the clearing bank to direct payment, from the Corporation's account to the designated Member account(s), of the dollar amounts specified in the settlement instruction for each such Member account and (b) specifies the securities that the clearing bank is simultaneously to take receipt of from each of the Member accounts designated in the settlement instruction for the Corporation's account.

The Corporation's clearing bank has acted upon such instructions when the clearing bank (i) (a) directs delivery, from the Corporation's account to the Member account(s) designated in such settlement instruction, of securities specified for each such Member account and (b) simultaneously collects the dollar amounts from each of the respective Member accounts designated in the settlement instruction for the Corporation's account; or (ii) (a) directs payment, from the Corporation's account to the designated Member account(s), of the dollar amounts specified in the settlement instruction for each such Member account and (b) simultaneously takes receipt of securities from each of the Member accounts designated in the settlement instruction for the Corporation's account.

Therefore, the point of finality of settlement of securities deliveries and related payment obligations that occur on the books of the Corporation's clearing bank is when each of the accounts held by the Corporation and the Members at the clearing bank for purposes of securities settlement have been debited and credited in accordance with the settlement instructions provided by the Corporation.

**(b) *Point of Finality for Sponsored GC Trades.***

**The point of finality of settlement of Sponsored GC Trades occurs on the books of the Sponsored GC Clearing Agent Bank at the point when the Sponsoring Member and**

**Sponsored Member make the relevant payment obligation or securities delivery, as applicable, to the account at the Sponsored GC Clearing Agent Bank specified by the pre-novation counterparty in accordance with such procedures as the Sponsoring GC Clearing Agent Bank may specify from time to time.**

**(c)(b)** *Point of Finality on the Fedwire System.*

The point of finality relating to settlement of securities deliveries and related payment obligations that occurs through the Fedwire system is defined by the Federal Reserve Banks Operating Circular No. 7 (“Operating Circular 7”),<sup>7</sup> which governs book entry security account maintenance and transfers. The Corporation’s clearing bank and each Member’s clearing bank is a “Participant” and maintains a “Securities Account” and a “Master Account” with the FRB (each term as defined in Operating Circular 7).<sup>8</sup> Operating Circular 7 states that “[u]nless a Transfer is rejected in accordance with this Circular, all debits and credits in connection with a Transfer become final at the time the debits and credits are posted to the Sender’s and Receiver’s Securities

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<sup>7</sup> Federal Reserve Banks Operating Circular 7 (Book-Entry Securities Account Maintenance and Transfer Services), Effective October 29, 2017 (“Operating Circular 7”), [available at https://www.frbsservices.org](https://www.frbsservices.org).

<sup>8</sup> For purposes of Operating Circular 7, the following definitions apply:

“Book-Entry Security” means a marketable security issued in electronic form by the United States Government (the “Treasury”), any agency or instrumentality thereof, certain international organizations, or others, that the Reserve Banks have determined is eligible to be held in a Securities Account and is eligible for Transfer.

“Free Transfer” means a Transfer that does not involve any credit or debit to a Master Account other than a transaction fee.

“Master Account” means a “Master Account” (as defined in the Reserve Banks’ Operating Circular 1, Account Relationships) on the books of a Reserve Bank. A Master Account is a Funds Account for purposes of the regulations listed in Appendix A of Operating Circular 7. A Master Account does not contain Book-Entry Securities.

“Participant” means an entity that maintains a Securities Account with a Reserve Bank in the entity’s name.

“Receiver” means the Participant receiving a Book-Entry Security as a result of a Transfer.

“Securities Account” means an account at a Reserve Bank containing Book-Entry Securities.

“Sender” means the Participant sending a Transfer Message.

“Transfer” means the electronic movement over the Fedwire® Securities Service of a par amount of Book-Entry Securities by debit to the designated Securities Account of the Sender and by credit to the designated Securities Account of the Receiver, or by debit to one Securities Account of a Participant and credit to another Securities Account of that same Participant, in which case that Participant is both a Sender and a Receiver. A Transfer is either a Free Transfer or a Transfer Against Payment.

“Transfer Against Payment” means a Transfer that is effected with a credit to the Master Account of the Sender and a debit to the Master Account of the Receiver, for the amount of the payment.

“Transfer Message” means an instruction of a Participant to a Reserve Bank to effect a Transfer.

See Operating Agreement Circular 7, Section 3.0.

Accounts and, in case of Transfer Against Payment, their corresponding Master Accounts.”<sup>9</sup> For purposes of settlement of securities deliveries and related payment obligations, the clearing banks designated by the Corporation and each Member to deliver and receive securities and related funds on behalf of the Corporation and each Member, respectively, are the Senders and Receivers described in Operating Circular 7.

Therefore, the point of finality of settlement of securities deliveries and related payment obligations is when each of the Securities Accounts and the Master Accounts of the clearing banks designated by the Corporation and each of the Members have been debited and credited through the Fedwire system in accordance with the settlement instructions provided by the Corporation.<sup>10</sup>

~~February 13, 2020~~ February 6, 2023

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<sup>9</sup> Operating Circular 7, Section 9.1.1. Capitalized terms are defined as set forth in Operating Circular 7. See id.

<sup>10</sup> Each Business Day, the Corporation makes available to each Member a Report that provides settlement information that the Corporation deems sufficient to enable each such Member to be able to settle its securities deliveries and related payment obligations and each Member is obligated to provide the appropriate instructions to its clearing bank to deliver and/or receive securities and related payments as set forth in the Report. Rule 12, Section 3.