

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

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

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

## RULE 1 – DEFINITIONS

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Unless the context requires otherwise, the terms defined in this Rule shall, for all purposes of these Rules, have the meanings herein specified.

### **Account**

The term “Account” means any account maintained by ~~the Corporation on behalf of a Netting Member. An Account maintained for an Inter-Dealer Broker Netting Member or a Segregated Repo Account of a Non-IDB Repo Broker is referred to as a “Broker Account”. An Account of a Netting Member that is not a Broker Account is referred to as a “Dealer Account”. With respect to an applicable Cross-Margining Agreement, the term “Account” may include a Market Professional Cross-Margining Account.~~

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### **Bilateral Transaction**

**The term “Bilateral Transaction” means any transaction, including a Repo Transaction, the data on which has been submitted to the Corporation by two Members, and is not a Brokered Transaction.**

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### **Broker Account**

**The term “Broker Account” means an Account maintained for an Inter-Dealer Broker Netting Member or a Segregated Repo Account of a Non-IDB Repo Broker.**

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### **Collateral Mark**

The term “Collateral Mark” means, on a particular Business Day, as regards any Forward Trade other than a Forward-Starting Repo Transaction during its Forward-Starting Period, the absolute value of the difference between the Contract Value of the Forward Trade and the Market Value of the Forward Trade. If the Contract Value is greater than the Market Value, then this difference shall be a positive value for a Member with a Net Short Position, and a negative value for a Member with Net Long Position. If the Market Value is greater than the Contract Value, then this difference shall be a positive value for a Member with a Net Long Position, and a negative value for a Member with a Net Short Position. The Collateral Mark for a Forward-Starting Repo Transaction during its Forward-Starting Period shall be Zero. The term “Collateral Mark” means, as regards a Forward Net Settlement Position, the sum of all of the Collateral Marks on each of the Forward Trades that compose such **Forward Net Settlement** Position. Notwithstanding the above, the term “Collateral Mark” shall not apply to GCF Repo Transactions and CCIT Transactions.

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### **Coupon Adjustment Payment**

The term “Coupon Adjustment Payment” means the coupon payments due and owing on each Eligible Netting Security that comprises ~~either~~ a Coupon-Eligible End Leg, **Fail Deliver Obligation or Fail Receive Obligation** ~~or a Fail Net Settlement Position~~. Notwithstanding the above, the term “Coupon Adjustment Payment” shall not apply to GCF Repo Transactions and CCIT Transactions.

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### **CPU**

~~The term “CPU” means the central processing unit of a computer.~~

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### **Credit Coupon Adjustment Payment**

The term “Credit Coupon Adjustment Payment” means, on a particular Business Day, a Coupon Adjustment Payment that a Netting Member is entitled to collect from the Corporation, involving a Member in a Net Long Position with regard to ~~either~~ a Coupon-Eligible End Leg, **Fail Deliver Obligation or Fail Receive Obligation** ~~or a Fail Net Settlement Position~~.

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### **Credit Transaction Adjustment Payment**

The term “Credit Transaction Adjustment Payment” means, on a particular Business Day as regards a Net Settlement Position, a Transaction Adjustment Payment that a Netting Member is entitled to collect from the Corporation, involving either: (1) a Net Long Position where the aggregate of the Contract Values of the trades that comprise such **Net Long** Position is less than the Aggregate of the Market Values of such trades, or (2) a Net Short Position where the aggregate of the Contract Values of the trades that comprise such **Net Short** Position is greater than the Market Values of such trades.

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### **Current Haircut**

The term “Current Haircut” means, as regards any Sponsored Member Trade, the Market Value of the Sponsored Member Trade, as of the time of the Corporation’s determination of the relevant Funds-Only Settlement Amount, minus the Contract Value of the ~~Close~~**End** Leg of the Sponsored Member Trade.

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### **Dealer Account**

**The term “Dealer Account” means an Account maintained by a Netting Member that is not a Broker Account.**

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### **Debit Coupon Adjustment Payment**

The term “Debit Coupon Adjustment Payment” means, on a particular Business Day, a Coupon Adjustment Payment that a Netting Member is obligated to make to the Corporation, involving a Member in a Net Short Position with regard to ~~either~~ a Coupon-Eligible End Leg, **Fail Deliver Obligation or Fail Receive Obligation** ~~or a fail Net Settlement Position.~~

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### **Debit Transaction Adjustment Payment**

The term “Debit Transaction Adjustment Payment” means, on a particular Business Day as regards a Net Settlement Position, a Transaction Adjustment Payment that a Netting Member is obligated to make to the Corporation, involving either: (1) a Net Long Position where the aggregate of the Contract Values of the trades that comprise such **Net Long** Position is greater than the aggregate of the Market Values of such trades, or (2) a Net Short Position where the aggregate of the Contract values of the trades that comprise such **Net Short** Position is less than the Market Values of such trades.

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### **~~Direct Transaction~~**

~~**The term “Direct Transaction” means any transaction, including a Repo Transaction, calling for the delivery of an Eligible Netting Security or the posting of cash or an Eligible Netting Security as collateral, the data on which has been submitted to the Corporation by Members, that is not a Brokered Transaction.**~~

### **End Leg**

The term “End Leg” means, as regards a Repo Transaction other than a GCF Repo Transaction (or CCIT Transaction as applicable) or a Sponsored GC Trade, the concluding settlement aspects of the transaction, involving the retransfer of the underlying Eligible Netting Securities by the Netting Member that is, or is submitting data on behalf of, the funds lender (if netting eligible, through satisfaction of the applicable Deliver Obligation generated by the Corporation) and the taking back of such Eligible Securities by the Netting Member that is, or is submitting data on behalf of, the funds borrower (if netting eligible, through satisfaction of the applicable Receive Obligation generated by the Corporation). The term “End Leg” means, as regards a GCF Repo Transaction (or CCIT Transaction as applicable), the concluding settlement aspects of the **GCF Repo Transaction or CCIT**

**Transaction, as applicable**, involving the retransfer of the underlying Eligible Netting Securities by the Netting Member that is in the GCF Net Funds Lender Position and the taking back of such Eligible Netting Securities by the Netting Member that is in the GCF Net Funds Borrower Position. The term “End Leg” means, as regards a Sponsored GC Trade, the concluding settlement aspects of the transaction, involving the retransfer of the Purchased GC Repo Securities by the GC Funds Lender and the taking back of such Purchased GC Repo Securities by the GC Funds Borrower.

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### **Fail Deliver Obligation**

The term “Fail Deliver Obligation” means a Deliver Obligation ~~with respect to a Fail Net Short Position~~ **that does not settle on its original Scheduled Settlement Date.**

### **Fail Mark Adjustment Payment**

The term “Fail Mark Adjustment Payment” means the absolute value of the dollar difference between the **current** Settlement Value of a Fail Deliver Obligation or a Fail Receive Obligation ~~that constitutes all or part of a Fail Net Settlement Position~~ on the current Business Day, and the **previous** Settlement Value of such ~~Fail~~ Deliver Obligation or ~~Fail~~ Receive Obligation ~~on the immediately previous Business Day~~. Notwithstanding the above, the term “Fail Mark Adjustment Payment” shall not apply to GCF Repo Transactions and CCIT Transactions.

### **Fail Net Long Position**

~~The term “Fail Net Long Position” means a Net Long Position that is open one Business Day after its original Scheduled Settlement Date. For purposes of this definition, the Start and End Legs of a Repo Transaction shall constitute separate Positions.~~

### **Fail Net Settlement Position**

~~The term “Fail Net Settlement Position” means either a Fail Net Short Position or a Fail Net Long Position, as the context requires.~~

### **Fail Net Short Position**

~~The term “Fail Net Short Position” means a Net Short Position that is open one or more Business Days after its Scheduled Settlement Date. For purposes of this definition, the Start and Close Legs of a Repo Transaction shall constitute separate Positions.~~

### **Fail Receive Obligation**

The term “Fail Receive Obligation” means a Receive Obligation ~~with respect to a Fail Net Long Position~~ **that does not settle on its original Scheduled Settlement Date.**

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### **Financing Mark**

The term “Financing Mark” means, on a particular Business Day, as regards a Repo Transaction, the product of the Market Value of the Repo Transaction multiplied by System Repo Rate established by the Corporation for such Repo Transaction, and then multiplied by a fraction, the numerator of which is the number of calendar days from the current Business Day until the Scheduled Settlement Date for the Repo Transaction and the denominator of which is 360. If a Repo Transaction other than a Forward-Starting Repo Transaction during its Forward-Starting Period comprises a Net Short Position of the Member, then the Financing Mark shall be a negative value. If a Repo Transaction other than a Forward-Starting Repo Transaction during its Forward-Starting Period comprises a Net Long Position of the Member, then the Financing Mark shall be a positive value. The Financing Mark for a Forward-Starting Repo Transaction during its Forward-Starting Period, and for any trade other than a Repo Transaction, shall be zero. The term “Financing Mark” means, as regards a Forward Net Settlement Position, the sum of all the Financing Marks on each of the Forward Trades that compose such **Forward Net Settlement** Position. Notwithstanding the above, the term “Financing Mark” shall not apply to GCF Repo Transactions and CCIT Transactions.

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### **Foreign Affiliate**

~~The term “Foreign Affiliate” (also referred to as “Non-U.S. Affiliate” or “Non-domestic Affiliate”) means an Affiliate of a Netting Member that: (1) is not itself a Netting Member; and (2) is a Foreign Person.~~

### **Foreign Affiliate Trade**

~~The term “Foreign Affiliate Trade” (also referred to as “Non-U.S. Affiliate” Trade or “Non-domestic Affiliate Trade”) means a trade executed by a Foreign Affiliate of a Netting Member that satisfies the following criteria: (i) the trade is eligible for netting pursuant to these Rules, and (ii) the trade is executed with another Netting Member, with a Covered Affiliate, or with a Foreign Affiliate of another Netting Member. The term “Foreign Affiliate Trade” shall not include a trade that is executed between a Member and its Affiliate or between Affiliates of the same Member. For purposes of this definition, the term “executed” shall include trades that are cleared and guaranteed as to their settlement by the Foreign Affiliate.~~

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### **Forward Mark Adjustment Payment**

The term “Forward Mark Adjustment Payment” means, on a particular Business Day, as regards a Member’s Forward Net Settlement Position, the sum of the Collateral Mark applicable to such **Forward Net Settlement** Position, the Financing Mark applicable to

such **Forward Net Settlement** Position, and the Interest Rate Mark applicable to such **Forward Net Settlement** Position. Notwithstanding the above, as regards an outstanding Repo Transaction where a request for substitution has been made but New Securities Collateral has not been received by the Corporation, the term “Forward Mark Adjustment Payment” means “Forward Unallocated Sub Mark”. Notwithstanding the above, the term “Forward Mark Adjustment Payment” shall refer to the GC Interest Rate Mark with respect to Sponsored GC Trades. Notwithstanding the above, the term “Forward Mark Adjustment Payment” shall not apply to GCF Repo Transactions and CCIT Transactions.

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### **Forward Net Settlement Position**

The term “Forward Net Settlement Position” means, with respect to Forward Trades involving an Eligible Netting Security with a distinct CUSIP number, the amount of such Securities that the Netting Member will, on the Scheduled Settlement Date for such Forward Trades, be obligated, pursuant to Rule 12, to either receive from the Corporation or to deliver to the Corporation, where such Scheduled Settlement Date is one or more Business Days in the future. For purposes of this definition, the Start and End Legs of a Repo Transaction shall constitute separate **Forward Net Settlement** Positions.

### **Forward Period**

The term “Forward Period” means, with regard to Forward Net Settlement Positions, the time period from the comparison on a final price and settlement value basis of the data on the Forward Trades that comprise such **Forward Net Settlement** Positions until the processing cycle immediately prior to the Scheduled Settlement Date for such **Forward Net Settlement** Positions.

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### **GCF-Authorized Inter-Dealer Broker**

The term “GCF-Authorized Inter-Dealer Broker” means a Repo Broker that the Corporation has designated as eligible to submit to the Corporation data on GCF Repo Transactions on a Locked-In Basis. The Corporation may rescind at any time, immediately effective upon ~~written~~ **issuance of an Important n**Notice to the membership, its designation of a Repo Broker as eligible to submit to the Corporation data on GCF Repo Transactions.

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### **GCF Forward Starting Interest Rate Mark**

The term “GCF Forward Starting Interest Rate Mark” means, on a particular Business Day, as regards a Forward-Starting Repo Transaction that is a GCF Repo Transaction during its Forward-Starting Period, the product of the principal value of the **GCF** Repo Transaction on the Scheduled Settlement Date for its Start Leg multiplied by a factor equal to the

absolute difference between the System Repo Rate established by the Corporation for such **GCF** Repo Transaction and its Contract Repo Rate, and then multiplied by a fraction, the numerator of which is the number of calendar days from the Scheduled Settlement Date for the Start Leg of the **GCF** Repo Transaction until the Scheduled Settlement Date for the End Leg of the **GCF** Repo Transaction, and the denominator of which is 360. If the **GCF** Repo Transaction's Contract Repo Rate is greater than its System Repo Rate, then the GCF Forward Starting Interest Rate Mark shall be a positive value for the Reverse Repo Party, and a negative value for the Repo Party. If the **GCF** Repo Transaction's Contract Repo Rate is less than its System Repo Rate, then the GCF Forward Starting Interest Rate Mark shall be a positive value for the Repo Party, and a negative value for the Reverse Repo Party. The term "GCF Forward Starting Interest Rate Mark" means, as regards a Forward Net Settlement Position, the sum of all the GCF Forward Starting Interest Rate Marks on each of the Forward Trades that compose such **Forward Net Settlement pP**osition.

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### **GCF Interest Rate Mark**

The term "GCF Interest Rate Mark" means, on a particular Business Day as regards any GCF Repo Transaction that is not scheduled to settle on that day, the product of the principal value of the GCF Repo Transaction on the Scheduled Settlement Date for its End Leg multiplied by a factor equal to the absolute difference between the Repo Rate established by the Corporation for such **GCF** Repo Transaction and its Contract Repo Rate, and then multiplied by a fraction, the numerator of which is the number of calendar days from the current day until the Scheduled Settlement Date for the End Leg of the **GCF** Repo Transaction and the denominator of which is 360. If the **GCF** Repo Transaction's Contract Repo Rate is greater than its System Repo Rate, then the GCF Interest Rate Mark shall be a positive value for the Reverse Repo Party, and a negative value for the Repo Party. If the **GCF** Repo Transaction's Contract Repo Rate is less than its System Repo Rate, then the GCF Interest Rate Mark shall be a positive value for the Repo Party, and a negative value for the Reverse Repo Party. The term "GCF Interest Rate Mark" means, as regards a GCF Net Settlement Position, the sum of all the GCF Interest Rate Mark Payments on each of the GCF Repo Transactions that compose such **GCF Net Settlement pP**osition.

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### **GCF Transaction Adjustment Payment**

The term "GCF Transaction Adjustment Payment" means, as regards a Netting Member, the total repo interest on the Netting Member's GCF Repo Transactions and CCIT Transactions, as applicable, for which the Scheduled Settlement Date for the End Leg of such **GCF Repo tTransactions and CCIT Transactions, as applicable**, is the next Business Day.

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### **Generic CUSIP Number**

The term “Generic CUSIP Number” means a Committee on Uniform Securities Identification Procedures identifying number established for a category of securities, as opposed to a specific security. The Corporation shall use separate Generic CUSIP Numbers for General Collateral Repo Transactions, GCF Repo Transactions, **CCIT Transactions** and Sponsored GC Trades.

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### **Interest Rate Mark**

The term “Interest Rate Mark” means, on a particular Business Day as regards a Forward-Starting Repo Transaction during its Forward-Starting Period, the product of the principal value of the Repo Transaction on the Scheduled Settlement Date for its Start Leg multiplied by a factor equal to the absolute difference between the System Repo Rate established by the Corporation for such Repo Transaction and its Contract Repo Rate, and then multiplied by a fraction, the numerator of which is the number of calendar days from the Scheduled Settlement Date for the Start Leg of the Repo Transaction until the Scheduled Settlement Date for the End Leg of the Repo Transaction and the denominator of which is 360. If the Repo Transaction’s Contract Repo Rate is greater than its System Repo Rate, then the Interest Rate Mark shall be a positive value for the Reverse Repo Party, and a negative value for the Repo Party. If the Repo Transaction’s Contract Repo Rate is less than its System Repo Rate, then the Interest Rate Mark shall be a positive value for the Repo Party, and a negative value for the Reverse Repo Party. The Interest Rate Mark for any Repo Transaction other than a Forward-Starting Repo Transaction during its Forward-Starting Period, and for any trade other than a Repo Transaction, shall be zero. The term “Interest Rate Mark” means, as regards a Forward Net Settlement Position, the sum of all the Interest Rate Marks on each of the Forward Trades that compose such **Forward Net Settlement** ~~p~~Position. Notwithstanding the above, the term “Interest Rate Mark” shall not apply to GCF Repo Transactions or CCIT Transactions.

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### **Market Professional Cross-Margining Account**

The term “Market Professional Cross-Margining Account” means, as applicable: (i) a cross-margined **Account** ~~account~~ that is carried for a Netting Member by the Corporation and that is limited to Eligible Positions and margin of Market Professionals; or (ii) an **Account** ~~account~~ that is carried by a Netting Member for, and that is limited to, Eligible Positions and margin of, Market Professionals that are party to a Market Professional Agreement for Cross-Margining.

### **Market Value**

The term “Market Value” means, on a particular Business Day, the amount in dollars equal to: (1) as regards a trade other than a Repo Transaction, the System Price established by the Corporation for the underlying Eligible Netting Securities, multiplied by the par value

of such Securities, plus accrued coupon interest that has accrued with regard to such Securities calculated to their Scheduled Settlement Date, (2) as regards a Repo Transaction other than a GCF Repo Transaction, the System Price established by the Corporation for the underlying Eligible Netting Securities, multiplied by the par value of such Securities, plus accrued coupon interest that has accrued with regard to such Securities calculated to that Business Day, and (3) as regards a GCF Repo Transaction, the principal value of the **GCF Repo** Transaction.

### **Maturity Value**

The term “Maturity Value” means, as regards a Net Settlement Position, **or** Deliver Obligation, the Redemption Value of the Eligible Netting Securities that comprise such **Net Settlement** Position or **Deliver** Obligation.

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### **MLA Excess Amount**

Sponsored Members that clear through multiple **Accounts**~~accounts~~ sponsored by multiple Sponsoring Members may be charged an MLA Excess Amount in addition to the MLA Charge. In order to determine if this additional amount is applicable, FICC shall calculate both an MLA Charge for each **Account**~~account~~ and an MLA Charge for the consolidated portfolio.

If the MLA **e**Charge of the consolidated portfolio is higher than the sum of all MLA Charges for each account of the Sponsored Member, the Sponsored Member shall be charged the amount of such difference, as an MLA Excess Amount, in addition to the applicable MLA Charge.

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### **Net Fail Mark Adjustment Payment**

The term “Net Fail Mark Adjustment Payment” means the absolute value of the dollar difference on a particular Business Day for a Netting Member between the total of all Credit Fail Mark Adjustment Payments and the total of all Debit Fail Mark Adjustment Payments. If the total of all of the Credit Fail Mark Adjustment Payments is greater than the total of all of the Debit Fail Mark Adjustment Payments, then the Net Fail Mark Adjustment Payment shall be a positive dollar amount owing from the Corporation to the Member. If the total of all of the Credit Fail Mark Adjustment Payments is less than the total of all of the Debit Fail **m**Mark Adjustment Payments, then the Net Fail Mark Adjustment Payment shall be a negative dollar amount owing from the Member to the Corporation.

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### **Net Long Position**

The term “Net Long Position” means, with respect to each type of Eligible Netting Security, the amount of Eligible Securities that a Netting Member either: (1) is obligated, pursuant to Rule 12, to receive from the Corporation, or (2) will, on the Scheduled Settlement Date for such **Net Long** Position, be obligated to receive from the Corporation, as the context requires.

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### **Net Short Position**

The term “Net Short Position” means, with respect to each type of Eligible Netting Security, the amount of Eligible Netting Securities that a Netting Member either: (1) is obligated, pursuant to Rule 12, to deliver to the Corporation, or (2) will, on the Scheduled Settlement Date for such **Net Short** Position, be obligated to deliver to the Corporation, as the context requires.

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### **Net Unsettled Positions**

The term “Net Unsettled Positions” means Current Net Settlement Positions, **and** Forward Net Settlement Positions ~~and Fail Net Settlement Positions~~.

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### **Netting Member Account**

**The term “Netting Member Account” shall mean an Account maintained by the Netting Member that contains the activity of the Netting Member that is submitted to the Corporation. A Netting Member may elect to establish one or more Netting Member Accounts.**

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### **~~Non-Conversion-Participating Member~~**

~~The term “Non-Conversion-Participating Member” means a Member of the Comparison System with regard to which the Corporation, in its sole discretion, has determined it appropriate, for a temporary period to be established by the Corporation, to have the yield information contained in data that it submits to the Corporation on Eligible Conversion Trades not be converted into price information on such trades pursuant to these Rules.~~

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### **Novation or Novate**

The term “Novation” means the termination of deliver, receive, and related payment obligations between Netting Members, **or between a CCIT Member (or Joint Account) and a Netting Member**, and the replacement of such obligations with identical obligations to and from the Corporation, pursuant to Section 8 of Rule 5. **The term “Novate” shall have a corollary meaning.**

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

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### **Redemption Adjustment Payment**

The term “Redemption Adjustment Payment” means for a Net Settlement Position, the difference between the Redemption Value and the Settlement Value due and owing on each Eligible Netting Security that comprises such **Net Settlement p**Position. The term “Redemption Adjustment Payment” means for the End Leg of a Repo Transaction, the difference between the Redemption Value and the Contract Value due and owing on each Eligible Netting Security that comprises such **Repo** Transaction. Notwithstanding the above, the term “Redemption Adjustment Payment” shall not apply to GCF Repo Transactions and CCIT Transactions.

### **Redemption Value**

The term “Redemption Value” means, as regards a Net Settlement Position or a Deliver Obligation, the principal amount paid to the holder of such **Net Settlement p**Position or **Deliver o**Obligation in redeeming Eligible Netting Securities at the maturity for such securities.

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### **Repo Start Date**

The term “Repo Start Date” means the settlement date for the **s**Start **date**Leg of a Repo Transaction.

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### **Report**

The term “Report” means any document, record, or other output prepared by the Corporation and made available to a Member in ~~any~~ format **(including, but not limited to, machine-readable and print-image formats)** or medium **(including, but not limited to, print copy, magnetic tape, and CPU-to-CPU interface formats)** **prescribed by the**

**Corporation**, that provides information to such Member with regard to the services provided by, or the operations of, the Corporation.

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### **Securities Industry and Financial Markets Association**

The term “Securities Industry and Financial Markets Association” (**“SIFMA”**) means the Securities Industry and Financial Markets Association or any successor organization.

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### **Segregated Repo Account**

The term “Segregated Repo Account” means an **Account-account** operated by a Non-IDB Repo Broker in which all trading is executed on a brokered basis with Netting Members on each side.

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### **Settlement Agent**

The term “Settlement Agent” means the bank or trust company that the Corporation may, from time to time, designate to act as its agent for purposes of interfacing with NSS for funds-only settlement pursuant to Rule 13 **(and as referenced in the Federal Reserve Banks Operating Circular 12)**.

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### **Start Leg**

The term “Start Leg” means, as regards a Repo Transaction other than a GCF Repo Transaction **(or CCIT Transaction as applicable)** or a Sponsored GC Trade, the initial settlement aspects of the Transaction, involving the transfer of the underlying Eligible Netting Securities by the Netting Member that is, or is submitting data on behalf of, the funds borrower (through satisfaction of the applicable Deliver Obligation generated by the Corporation) and the taking in of such Eligible Securities by the Netting Member that is, or is submitting data on behalf of, the funds lender (if netting eligible, through satisfaction of the applicable Receive Obligation generated by the Corporation). The term “Start Leg” means, as regards a GCF Repo Transaction **(or CCIT Transaction as applicable)**, the initial settlement aspects of the **GCF Repo Transaction (or CCIT Transaction as applicable)**, involving the transfer of the underlying Eligible Netting Securities by the Netting Member that is in the GCF Net Funds Borrower Position and the taking in of such Eligible Netting Securities by the Netting Member that is in the GCF Net Funds Lender Position. The term “Start Leg” means, as regards a Sponsored GC Trade, the initial settlement aspects of the Transaction, involving the transfer of GC Repo Securities by the Sponsoring Member or Sponsored Member, as applicable, that is the GC Funds Borrower

and the taking in of such GC Repo Securities by the Sponsoring Member or Sponsored Member, as applicable, that is the GC Funds Lender.

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### **System Value**

The term “System Value” means, as regards a Deliver Obligation (with the exception of compared Same-Day Settling Trades settled with the Corporation), a Receive Obligation (with the exception of compared Same-Day Settling Trades settled with the Corporation), a Net Settlement Position, Existing Securities Collateral, or New Securities Collateral, the amount in dollars equal to the par value of each Eligible Netting Security that comprises such **Deliver Obligation**, **Receive Obligation**, **Net Settlement Position**, **Existing Securities Collateral**, or **New Securities Collateral**, as applicable, multiplied by its System Price, plus interest that has accrued with regard to each such Eligible Netting Security up to the Business Day for which such dollar amount is calculated. The System Value of a Net Settlement Position that has remained unsettled on the maturity date for the Eligible Netting Securities that comprise such **Net Settlement Position** shall be the Redemption Value of such Securities.

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### **Transactions**

The term “Transactions” means Brokered Transactions and ~~Direct~~**Bilateral** Transactions.

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## RULE 2A – INITIAL MEMBERSHIP REQUIREMENTS

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### Section 2 – Eligibility for Membership: Netting Members

(a) Eligibility for Netting membership shall be as follows:

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(v) A Person shall be eligible to apply to become a Foreign Netting Member if it is a Foreign Person that the Corporation, in its sole discretion, has determined: (i) has a home country regulator that has entered into a memorandum of understanding with the SEC regarding the sharing or exchange of information, and (ii) maintains a presence in the United States, either directly or through a suitable agent, that both has available individuals fluent in English who are knowledgeable in the Foreign Person's business and can assist the Corporation's representatives as necessary, and ensures that the Foreign Person will be able to meet its data submission, settlement, and other obligations to the Corporation as a Member in a timely manner. The Person applying to become a Foreign Netting Member must represent and certify to the Corporation that it is in compliance with the financial reporting and responsibility standards of its home country and that it is regulated in its home country by a financial regulatory authority in the areas of maintenance of relevant books and records, regular inspections and examinations, and minimum capital standards, and make such other representations, certifications or assurances as the Corporation deems necessary to address jurisdictional and tax concerns. Without limiting the generality of the foregoing, the Corporation shall require each applicant that shall be an FFI Member to certify and periodically recertify to the Corporation that it is FATCA Compliant under such procedures as are set forth under FATCA, unless such requirements have been explicitly waived in writing by the Corporation, provided, however, that no such waiver will be issued if it shall cause the Corporation to be obligated to withhold under FATCA on gross proceeds from the sale or other disposition of any property. In addition, as part of its membership application, each applicant that shall be an FFI Member ~~agrees to~~**must agree that it shall** indemnify ~~the Corporation~~**each Indemnified Person** for any loss, liability or expense sustained by the ~~Corporation~~**Indemnified Person** as a result of ~~its~~**the applicant** failing to be FATCA Compliant. Except as with respect to FATCA, a foreign Bank Netting Member that participates in the Corporation through its U.S. branch or agency shall not be deemed a Foreign Member for purposes of the Corporation's Rules and procedures, unless otherwise stated by the Corporation.

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### RULE 3 – ONGOING MEMBERSHIP REQUIREMENTS

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#### Section 2 - Reports by Netting Members

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~~In addition to all of the above, on an annual basis, Netting Members must report information on their Foreign Affiliate Trades to the Corporation. The preceding sentence shall not apply to Foreign Affiliate Trades of a Foreign Affiliate that has executed less than an average of 30 Foreign Affiliate Trades per business day per month within the prior twelve-month period. The reporting required by this paragraph shall be submitted to the Corporation containing the information, in the format and within the timeframes specified by guidelines issued by the Corporation from time to time.~~

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#### Section 7 - General Continuance Standards

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In the event that a Member fails to maintain the relevant requirements of any of these Rules, the Corporation shall, pursuant to these Rules, either cease to act for the Member or terminate its membership in the Comparison System or in both the Comparison System and the Netting System, unless the Member requests that such action not be taken and the Corporation determines that, depending upon the specific circumstances and the record of the Member, it is appropriate instead to establish for such Member a time period (hereinafter, the “Noncompliance Time Period”), which shall be determined by the Corporation and which shall be no longer than 30 calendar days unless otherwise determined by the Corporation, during which the Member must resume compliance with such requirements. In the event that the Member is unable to satisfy such requirements within the Noncompliance Time Period, the Corporation shall, pursuant to these Rules, either cease to act for the Member or terminate its membership in the Comparison System or in both the Comparison System and the Netting System. If the Corporation takes any action pursuant to this paragraph, it shall promptly file with its records and with the SEC a full report of such actions, and the reasons thereof.

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#### Section 11 - Additional Accounts Requested by Members

(a) The Corporation may permit a Member to maintain one or more additional Accounts at the request of a Member if the Corporation determines that doing so will not subject the Corporation to material legal, financial or operational risk.

(b) The Corporation may permit a Netting Member to open additional Netting Member Accounts ~~netting accounts~~ for the Netting Member itself or for wholly-owned subsidiaries of the Netting Member.



(c) The Corporation may permit a Netting Member to open an additional ~~Account~~ for its Market Professional customers. Such ~~Account~~ must be in furtherance of a Cross-Margining Arrangement and must meet the requirements of the applicable Cross-Margining Agreement and Rule 43. Such ~~Account~~ must meet all obligations under these Rules unless otherwise specified herein.

(d) All other additional ~~Netting Member Accounts~~ requested by Netting Members for Non-Members not otherwise permitted under these Rules shall require the approval of the Board. Netting Members shall not be permitted to maintain additional accounts for comparison-only activities unless they can demonstrate that doing so will not violate Section 3 of Rule 11.

(e) Additional ~~Accounts~~ that are opened for a Member pursuant to this Section 11 of Rule 3 shall be opened solely for the administrative convenience of the Member or in furtherance of the Cross-Margining Arrangements between the Corporation and an FCO, and no other person or entity shall have any rights, obligations or liabilities with respect to any of the Member's ~~Accounts~~ with the Corporation. Only Members shall be entitled to process transactions through the Corporation and to participate in the services offered by the Corporation for which they have been approved. A Member that processes through the Corporation any contract or other transaction for an entity that is a Non-Member shall, so far as the rights of the Corporation and of other Members are concerned, be liable as principal on such transaction. A Non-Member who processes transactions through a Member shall not possess any of the rights or benefits of a Member.

(f) The Corporation may, in its sole discretion, at any time and without prior notice (but being obligated to give notice as soon as possible thereafter) and whether or not the Member is in default of its obligations to the Corporation, apply Required Fund Deposits made by a Member pursuant to its obligations under one of its ~~Accounts~~, as necessary, to ensure that the Member meets all of its obligations to the Corporation under its other ~~Account(s)~~, and otherwise exercise all rights to offset and net any obligations among any or all of the ~~Accounts~~, whether or not a non-Member is deemed to have any interest in the Member's ~~Account(s)~~, notwithstanding the terms of this Rule.

(g) This section shall not apply to Repo Brokers who are required to maintain Segregated Repo Accounts pursuant to Section 2 of Rule 19.

\* \* \*

### Section 13 - Voluntary Termination

A Member that is a Comparison-Only Member may elect to terminate such membership, and a Netting Member may elect to terminate its membership in either the Corporation or in just the Netting System (and to become a Comparison-Only Member), by providing the Corporation with a written notice of such termination (hereinafter, the "Voluntary Termination Notice"). The Member shall specify in the Voluntary Termination Notice a desired date for its withdrawal from membership; provided, however, if the Member is terminating its membership in the Corporation, such date shall not be prior to the scheduled final settlement date of any remaining obligation owed

by the Member to the Corporation as of the time such 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 no later than 10 Business Days after the receipt of the Voluntary Termination Notice from such Member. The Corporation's acceptance shall be evidenced by a notice to Members announcing the Member's termination and the effective date of the termination of the Member (hereinafter, the "Termination Date"). As of the Termination Date, a Netting Member that terminates its membership in the Netting System, or a Comparison-Only Member or Netting Member that terminates its membership in the Corporation, shall no longer be eligible or required to submit to the Corporation data on trades and shall no longer be eligible to have its trade data submitted by an authorized submitter, notwithstanding any provision of Rule 5, Rules 6A through 6C, or Rule 11 to the contrary, unless the Board determines otherwise in order to ensure an orderly liquidation of the Member's Net Settlement Positions. If any trade is submitted to the Corporation either by such Member or its authorized submitter that is scheduled to settle on or after the Termination Date, such Member's Voluntary Termination Notice will be deemed void, and the Member will remain subject to these Rules as if it had not given such Voluntary Termination Notice.

\* \* \*

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

\* \* \*

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

\* \* \*

(h) If a Category 1 Sponsoring Member falls below one or more of the required minimum financial standards for being a Sponsoring Member set forth in subsection (a) above, it shall, for the period beginning on the day on which it fell below such level and continuing until the later of the 90th calendar day after the date on which (i) it returned to compliance with such standard, or (ii) the Corporation received notice of the applicable violation, have a Sponsoring Member Omnibus Account Required Fund Deposit equal to the greater of either: (x) the sum of the normal calculation of its Sponsoring Member Omnibus Account Required Fund Deposit plus \$1,000,000, or (y) 125 percent of the normal calculation of its Sponsoring Member Omnibus Account Required Fund Deposit. If, in the case of a Category 2 Sponsoring Member, the sum of the VaR Charges of its Sponsoring Member Omnibus Account(s) and its **Netting Member Accounts**~~Netting System accounts~~ exceeds its Netting Member Capital, the Category 2 Sponsoring Member shall not be permitted to submit activity into its Sponsoring Member Omnibus Account(s), unless otherwise determined by the Corporation in order to promote orderly settlement.

(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. 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 shall post an Important Notice to all Members announcing the termination of the Sponsoring Member’s status as a Sponsoring Member and 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.

A Sponsoring Member's voluntary termination of its status as such, in whole or in part, shall not affect its obligations to the Corporation, or the rights of the Corporation, including under the Sponsoring Member Guaranty, with respect to Sponsored Member Trades submitted to the Corporation before the applicable Sponsoring Member Termination Date. Any Sponsored Member Trades which have ~~received the Corporation's guaranty of settlement and~~ been Novated by novated to the Corporation shall continue to be processed ~~and guaranteed~~ by the Corporation.

\* \* \*

#### Section 6 – Trade Submission and the Comparison System

\* \* \*

(c) The enhanced comparison processes regarding the presumed match of data set forth in Rule 10 shall apply to Sponsored Member Trades. A special enhanced comparison process shall be applicable to Sponsored Member Trades that are submitted for Bilateral Comparison as follows: If all other required fields are valid and match but the executing firm field on the side representing the Netting Member Account netting account of the Sponsoring Member has been omitted and the executing firm field on the side representing the Sponsoring Member Omnibus Account is valid, then the Corporation shall compare the Sponsored Member Trade based on the valid executing firm field.

#### Section 7 – The Netting System ~~and~~, Novation ~~and Guaranty of Settlement~~

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

(i) The Sponsored Member Trades of each Sponsored Member shall be Novated and netted in the same manner as set forth in Section 8 of Rule 5 and Sections 1, 4 and 6 of Rule 11 for Netting Member trades as long as such Sponsored Member Trades meet the requirements of Section 2 of Rule 11. Net Settlement Positions per CUSIP shall be calculated for each Sponsored Member in the same manner set forth in Rule 11 for Netting Members. The Sponsoring Member shall act as processing agent for performing all functions and receiving Reports and information set forth in Rule 11 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.

(ii) Net Settlement Positions of Sponsored Members that are comprised in whole or in part of Sponsored Member Trades that are Locked-In Trades shall be treated by the Corporation in the same manner as all other Net Settlement Positions.

(iii) ~~Fail Net Settlement Positions~~**Fail Deliver Obligations and Fail Receive Obligations** per CUSIP shall be calculated at the level of the Sponsoring Member Omnibus Account in the same way as they are calculated for Netting Members pursuant to Rule 11. At the request of the Corporation, the Sponsoring Member shall inform the Corporation as to the manner in which the Sponsoring Member allocates a ~~Fail Net Settlement Position~~**Fail Deliver Obligation or Fail Receive Obligation** among its Sponsored Members. Fail charges shall be applied at the level of the Sponsoring Member Omnibus Account in the same way as they are applied to Netting Members pursuant to Rule 11.

(iv) ~~The Corporation's guaranty of settlement shall apply to Sponsored Member Trades and such~~ **Sponsored Member Trade** trades shall be Novated in the same manner in which trades of Netting Members are Novated ~~and settlement is guaranteed~~ pursuant to Section 8 of Rule 5.

(b) The following provisions apply only to Sponsored GC Trades:

(i) Only the End Leg of a Sponsored GC Trade may be Novated to the Corporation. A Sponsored GC Trade may, but need not, have an Initial Haircut.

(ii) The End Leg of each Sponsored GC Trade shall be Novated in the same manner as set forth in Section 8 of Rule 5 as of the time that the following requirements have been satisfied on a given Business Day;

\* \* \*

(iii) On each Business Day, the Corporation will provide each Sponsoring Member with one or more Reports setting forth (A) each Sponsored GC Trade, the data on which has been compared in the Comparison System and (B) each Sponsored GC Trade, the End Leg of which has been Novated to the Corporation.

(iv) Each Sponsoring Member and Sponsored Member acknowledges and agrees that it has authorized each relevant Sponsored GC Clearing Agent Bank to provide the Corporation with all information and data as the Corporation may require or request from time to time in order to novate and process Sponsored GC Trades.

#### Section 8 – Securities Settlement

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

\* \* \*

(ii) Netting at the Sponsored Member level shall occur as stated in Section 7(a) of this Rule 3A. The Corporation shall then, for operational purposes, calculate a single Net Settlement Position ~~and Fail Net Settlement Position~~ in each CUSIP for the Sponsoring Member Omnibus Account and associated Deliver Obligations and Receive Obligations.

\* \* \*

Section 10 – Clearing Fund Obligations

\* \* \*

(b) 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 Member Accounts ~~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.

\* \* \*

Section 11 – Right of Offset

In the ordinary course, with respect to satisfaction of any Sponsored Member's obligations under the Rules, the Sponsoring Member's Netting Member Accounts ~~Netting System accounts~~ and its Sponsoring Member Omnibus Account shall be treated separately, as if they were Accounts ~~accounts~~ of separate entities. Notwithstanding the previous sentence, however, the Corporation may, in its sole discretion, at any time any obligation of the Sponsoring Member arises under the Sponsoring Member Guaranty to pay or perform thereunder with respect to any Sponsored Member, exercise a right of offset and net any such obligation of the Sponsoring Member under its Sponsoring Member Guaranty against any obligations of the Corporation to the Sponsoring Member in respect of such Sponsoring Member's Netting Member Accounts ~~Netting System accounts~~.

\* \* \*

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

\* \* \*

(c) If the Corporation ceases to act for a Sponsoring Member in its capacity as a Sponsoring Member, Rule 22A shall apply and the Corporation shall decline to accept or process data from the Sponsoring Member on Sponsored Member Trades and the Corporation shall cease to act for all of the Sponsored Members of the affected Sponsoring Member. If the Corporation suspends the Sponsoring Member or ceases to act for the Sponsoring Member, the Corporation shall decline to accept or process data from the Sponsoring Member on Sponsored Member Trades and shall suspend the Sponsored Members of the affected Sponsoring Member for so long as and to the extent that the Corporation is ceasing to act for the Sponsoring Member. Any Sponsored Member Trades which have ~~received the Corporation's guaranty of settlement and~~ been Novated by the Corporation shall continue to be processed ~~and guaranteed~~ by the Corporation. The Corporation, in its sole discretion, shall determine whether to close-out the affected Sponsored Member Trades and/or permit the Sponsored Members to complete their settlement.

\* \* \*

Section 16 – Insolvency of a Sponsoring Member

\* \* \*

(b) In the event that the Corporation determines to treat a Sponsoring Member as insolvent, the Corporation shall cease to act for the insolvent Sponsoring Member and decline to accept or process data from the Sponsoring Member, including Sponsored Member Trades, and the Corporation shall terminate the membership of all of the insolvent's Sponsored Members unless they are the Sponsored Members of another Sponsoring Member. Any Sponsored Member Trades which have ~~received the Corporation's guaranty of settlement and~~ been Novated by ~~to~~ the Corporation shall continue to be processed ~~and guaranteed~~ by the Corporation. The Corporation, in its sole discretion, shall determine whether to close-out the affected Sponsored Member Trades and/or permit the Sponsored Members to complete their settlement.

\* \* \*

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

\* \* \*

(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 Member Account(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").

\* \* \*

(e) The Corporation hereby acknowledges that a Sponsoring Member may take a security interest in the deliver, receive, and related payment obligations owed by the Corporation to a Sponsored Member in respect of its transactions that have been Novated to the Corporation by such Sponsoring Member and established in its Sponsoring Member Omnibus Account, including, but not limited to, such Sponsored Member's rights to receive payment of any Sponsored Member Liquidation Amount pursuant to this Section 18 (the "Sponsored Member Rights"), and agrees that, if the provisions of this Section 18 apply, the Corporation's security interest in all assets and property placed by a Sponsored Member in the possession of the Corporation (or its agents acting on its behalf), including all securities and cash on deposit with

the Corporation or its agents, granted in Section 8(g) of this Rule 3A, shall be subordinated to the security interest of the Sponsoring Member in the Sponsored Member Rights.

\* \* \*



**RULE 3B – CENTRALLY CLEARED INSTITUTIONAL  
TRIPARTY SERVICE**

\* \* \*

Section 2 – Eligibility for Membership: CCIT Member

\* \* \*

~~(d)~~**(b)** Two or more CCIT Members may be represented by a Joint Account Submitter that has been approved by the Corporation subject to such CCIT Member signing and delivering a Joint Account Submitter Agreement to the Corporation in such form as may be prescribed by the Corporation. If the Corporation terminates the Joint Account Submitter Agreement, the Joint Account Submitter will no longer be permitted to represent the CCIT Members in the Joint Account. Each such CCIT Member will be required to assume the duties of the Joint Account Submitter or appoint a new Joint Account Submitter subject to the requirements of these Rules.

~~(e)~~**(c)** In addition to the criteria set forth in subsection (a) above, the Corporation shall retain the right to deny membership to an applicant if the Corporation becomes aware of any factor or circumstance about the applicant or its Controlling Management which may impact the suitability of that particular applicant as a Member of the Corporation. Further, applicants are required to inform the Corporation as to any member of their Controlling Management that is or becomes subject to Statutory Disqualification (as defined in Section 3(a)(39) of the Exchange Act).

\* \* \*

Section 3 – Membership Application Process to Become a CCIT Member

\* \* \*

(c) Each applicant shall complete and deliver to the Corporation:

(i) a FATCA Certification as part of its membership application. Without limiting the generality of the foregoing, if an applicant is a FFI Member, the Corporation shall require such applicant to certify and periodically to recertify to the Corporation that it is FATCA Compliant under such procedures as are set forth under FATCA, unless such requirements have been explicitly waived in writing by the Corporation; provided, however, that no such waiver will be issued if it shall cause the Corporation to be obligated to withhold under FATCA on gross proceeds from the sale or other disposition of any property. In addition, as part of its membership application, such applicant **agrees to must agree that it shall** indemnify **each Indemnified Person the Corporation** for any loss, liability or expense sustained by **the Indemnified Person the Corporation** as a result of **its such applicant** failing to be FATCA Compliant;

\* \* \*

Section 5 – On-going Membership Requirements

\* \* \*

(f) A CCIT Member shall promptly inform the Corporation, both orally and in writing, if it no longer is in compliance with any of the relevant qualifications and standards for admission to membership set forth in this Rule, including the criteria set forth in Section 2(a) of this Rule. Notification must take place within two Business Days from the date on which the CCIT Member first learns of its non-compliance. The Corporation shall assess a ~~\$1,000.00~~ fine **pursuant to the applicable Fine Schedule in these Rules** against any CCIT Member which fails to so notify the Corporation. In addition, a CCIT Member shall notify the Corporation within two Business Days of learning that an investigation or proceeding to which it is or is becoming the subject of would cause the CCIT Member to fall out of compliance with any of the relevant qualifications and standards for membership set forth in this Rule. Notwithstanding the previous sentence, the CCIT Member shall not be required to notify the Corporation if doing so would cause the CCIT Member to violate an applicable law, rule or regulation. If, with respect to a CCIT Member: (i) it fails to maintain the relevant standards and qualifications for admission to membership, including but not limited to minimum capital standards and operational testing and related reporting requirements imposed by the Corporation from time to time; (ii) it violates any Rule of the Corporation or other agreement with the Corporation; (iii) it fails to satisfy in a timely manner any obligation to the Corporation; (iv) there is any CCIT Reportable Event relating to such Member; or (v) the Corporation otherwise deems it necessary or advisable, in order to protect the Corporation, its other Members (including CCIT Members), or its creditors or investors, to safeguard securities and funds in the custody or control of the Corporation or for which the Corporation is responsible, or to promote the prompt and accurate processing, clearance or settlement of securities transactions, the Corporation will undertake appropriate action to determine the status of the CCIT Member and its continued eligibility. In addition, the Corporation may review the financial responsibility and operational capability of the CCIT Member and/or its Controlling Management to the extent provided in these Rules and otherwise require from the CCIT Member additional reporting of its financial or operational condition at such intervals and in such detail as the Corporation shall determine, and shall make a determination as to whether such CCIT Member should be placed on the Watch List by the Corporation consistent with the provisions of Section 5(l) of this Rule.

\* \* \*

(h) In the event that a CCIT Member fails to maintain the relevant requirements of any of these Rules, the Corporation shall, pursuant to these Rules, cease to act for the CCIT Member, unless the CCIT Member requests that such action not be taken and the Corporation determines that, depending upon the specific circumstances and the record of the CCIT Member, it is appropriate instead to establish for such CCIT Member a time period (**hereinafter**, the “Noncompliance Time Period”), which shall be determined by the Corporation and which shall be no longer than 30 calendar days unless otherwise determined by the Corporation, during which the CCIT Member must resume compliance with such requirements. In the event that the CCIT Member is unable to satisfy such requirements within the Noncompliance Time Period, the Corporation shall, pursuant to these Rules, cease to act for the CCIT Member. If the Corporation

takes any cease to act action pursuant to this paragraph, it shall promptly file with its records and with the SEC a full report of such actions, and the reasons thereof.

\* \* \*

(j) Compliance with Laws

\* \* \*

(iii) FATCA

\* \* \*

A CCIT Member that is an FFI Member shall indemnify ~~the~~ each Indemnified Person ~~Corporation~~ for any loss, liability or expense sustained by the Indemnified Person ~~Corporation~~ as a result of such CCIT Member failing to be FATCA Compliant.

\* \* \*

#### Section 6 – Voluntary Termination

A CCIT Member may voluntarily elect to terminate its membership in the Corporation by providing the Corporation with a written notice of such termination (hereinafter, the “CCIT Member Voluntary Termination Notice”). The CCIT Member shall specify in the CCIT 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 CCIT Member to the Corporation as of the time such CCIT 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 no later than 10 Business Days after the receipt of the CCIT Member Voluntary Termination Notice from such CCIT Member. The Corporation’s acceptance shall be evidenced by an Important ~~n~~ Notice to Members (including CCIT Members) announcing the CCIT Member’s termination and the effective date of the termination of the CCIT Member (hereinafter, the “CCIT Member Termination Date”). As of the CCIT Member Termination Date, a CCIT Member that terminates its membership in the Corporation shall no longer be eligible or required to submit to the Corporation data on trades and shall no longer be eligible to have its trade data submitted by a Joint Account Submitter, unless the Board determines otherwise in order to ensure an orderly liquidation of the CCIT Member’s positions. If any trade is submitted to the Corporation either by such CCIT Member or a Joint Account Submitter-that is scheduled to settle on or after the CCIT Member Termination Date, such CCIT Member’s CCIT Member Voluntary Termination Notice will be deemed void, and the CCIT Member will remain subject to this Rule as if it had not given such CCIT Member Voluntary Termination Notice.

\* \* \*

Section 9 – Trade Submission and the Comparison System

\* \* \*

(b) Each CCIT Member shall be required to maintain two accounts at the GCF Clearing Agent Bank(s) at which the Netting Members with whom the CCIT Member enters into CCIT Transactions maintain accounts. One account at such GCF Clearing Agent Bank shall be designated for the CCIT Member's activity in respect of CCIT Transactions (**hereinafter**, the "CCIT Account") and the second account shall be designated for Transactions (as defined in Section 14(a) of this Rule 3B) initiated by the Corporation pursuant to Section 14(a) of this Rule 3B (**hereinafter**, the "CCIT MRA Account"). In each case, such accounts shall be as designated by the Corporation for these purposes from time to time. If acting through a Joint Account, a CCIT Member shall cause its Joint Account Submitter to maintain both a CCIT Account and a CCIT MRA Account for the Joint Account at the GCF Clearing Agent Bank(s) at which the Netting Members with whom the CCIT Member enters into CCIT Transactions maintain accounts.

\* \* \*

Section 11 – Netting System and Settlement of CCIT Transactions

(a) Rule 20 (Special Provisions for GCF Repo Transactions) shall apply to the netting and settlement obligations of the Corporation and each party to a CCIT Transaction in the same way in which such provisions apply to GCF Repo Transactions subject to the following:

\* \* \*

(iv) The CCIT Transaction activity of Netting Members shall be netted with such Netting Members' GCF Repo Service activity for one net obligation per ~~GCF Repo Service~~ Generic CUSIP Number **approved for the GCF Repo Service**.

\* \* \*

Section 12 – ~~Compared Trades~~ **[Reserved]**

~~Rule 11B (Guaranty of Settlement) shall apply to CCIT Transactions that are Compared Trades.~~

Section 13 – Funds-Only Settlement

\* \* \*

(b) The following **payments and markseomponents** of Section 1 of Rule 13 shall apply to Netting Members with respect to their CCIT Transactions (such **payments and markseomponents** shall apply as they apply to GCF Repo Transactions except as noted below):

\* \* \*

(d) Notwithstanding the above, a CCIT Member may elect to pay its Funds-Only Settlement Amount debits directly to the Corporation using the invoicing process applicable to Comparison-Only Members under Rule 25 (~~“invoicing process”~~**Bills Rendered**) in lieu of the process described in Section 5 of Rule 13. If the CCIT Member elects the invoicing process, the CCIT Member’s Funds-Only Settling Bank shall no longer be responsible for processing Funds-Only Settlement Amounts that are debits for such CCIT Member.

Section 14 – Liquidity Requirements of CCIT Members

(a) In order to finance the Corporation’s obligations in respect of certain Deliver Obligations in connection with CCIT Transactions in accordance with subsection (b) of this Section 14, the SIFMA MRA (without the referenced annexes) is hereby incorporated by reference in the Rules as a master repurchase agreement between the Corporation, as Seller, and each CCIT Member, as Buyer (**hereinafter**, the “CCIT MRA”); provided that, notwithstanding anything else set forth in the CCIT MRA:

\* \* \*

(viii) if the Corporation terminates a portion of a Transaction pursuant to clause (vii) of this paragraph:

(A) the Repurchase Price (for purposes of this Section 14(a), as defined in the CCIT MRA) for the Purchased Securities to be repurchased on such date (**hereinafter**, the “Relevant Securities”) shall be an amount equal to the sum of the Purchase Price (for purposes of this Section 14(a), as defined in the CCIT MRA) for the Relevant Securities and the unpaid Price Differential (for purposes of this Section 14(a), as defined in the CCIT MRA) accrued on the Purchase Price for the Relevant Securities through such Business Day;

\* \* \*

(xii) the Pricing Rate (as defined in the CCIT MRA) in respect of each Transaction shall be ~~the rate published on the Corporation’s website at the time the Corporation initiates such Transaction, corresponding to: (A) U.S. Treasury < 30-year maturity (CUSIP: 371487AE9) if the Purchased Securities under such Transaction are U.S. Treasury bills, notes or bonds, (B) Non-Mortgage Backed U.S. Agency Securities (CUSIP: 371487AH2) if the Purchased Securities under such Transaction are non-mortgage-backed U.S. agency securities or (C) Fannie Mae, Freddie Mac, and UMBS Fixed Rate MBS (CUSIP: 371487AL3) if the Purchased Securities under such Transaction are mortgage-backed securities, or if the relevant foregoing rate is unavailable, a~~ the rate that the Corporation reasonably determines approximates the average daily interest rate paid by a seller of the Purchased Securities under a cleared repurchase transaction.

(b) Once the Corporation has ceased to act for a Netting Member with whom a CCIT Member traded pursuant to these Rules, if any portions of such trades, as ~~guaranteed and~~

Novated pursuant to these Rules, remain outstanding, then, if the Corporation determines, in its sole discretion, that the procedures below are necessary to address certain of the Corporation's liquidity needs, the Corporation may initiate transactions under the CCIT MRA as provided below.

(i) The Corporation shall determine which CCIT Members had open CCIT Transactions originally with the Defaulting Member (each such CCIT Member **hereinafter**, an "Affected CCIT Member"),

(ii) The Corporation shall notify all Affected CCIT Members informing them that the Corporation will initiate repurchase agreements under the CCIT MRA,

(iii) The Corporation shall determine each Affected CCIT Member's pro rata share of the total principal dollar amount of such CCIT Transactions originally with the Defaulting Member in respect of which the Corporation needs financing, with such pro rata share being determined by reference to the total dollar amount of such Affected CCIT Member's trades with the Defaulting Member that remain unsettled (**hereinafter**, such Affected CCIT Member's "Financing Amount"),

(iv) The Corporation shall initiate repurchase transactions under the terms and conditions of the CCIT MRA with each Affected CCIT Member having a Purchase Price equal to such Affected CCIT Member's Financing Amount (each such repurchase transaction, **hereinafter**, a "CCIT MRA Transaction", shall be a "Transaction" under the CCIT MRA),

\* \* \*

(f) The Corporation and any CCIT Member may agree to enter into repurchase transactions in addition to those initiated by the Corporation pursuant to Section 14(b) above. In furtherance of the foregoing, the SIFMA MRA is hereby incorporated by reference in the Rules as a master repurchase agreement between the Corporation, as Seller, and each CCIT Member, as Buyer (**hereinafter**, the "Uncommitted CCIT MRA"); provided that, notwithstanding anything else set forth in the Uncommitted CCIT MRA:

\* \* \*

## **RULE 4 – CLEARING FUND AND LOSS ALLOCATION**

\* \* \*

### **Section 2 – Required Fund Deposit Requirements**

(a) Each Business Day, each Netting Member shall be required to make a Required Fund Deposit to the Clearing Fund equal to **the** greater of: (i) the Minimum Charge or (ii) the amounts derived pursuant to the provisions of Sections 1, 1a and 1b of this Rule 4 (**hereinafter**, the “Total Amount”). A Netting Member that has a Margin Portfolio that consists of a Market Professional Cross-Margining Account shall be required to make an additional Required Fund Deposit to the Clearing Fund associated with the activity of such Margin Portfolio. Unless otherwise expressly provided, references in these Rules that pertain to Required Fund Deposits shall apply to the Required Fund Deposits associated with a Netting Member’s Market Professional Cross-Margining Account.

\* \* \*

(d) Notwithstanding anything to the contrary in this Rule, the Corporation may require a Netting Member to make and maintain a higher Required Fund Deposit than the amount as noted above, if the Corporation determines that such higher Required Fund Deposit is necessary to protect the Corporation and its Members from the risk (**hereinafter**, the “Legal Risk”) that the Corporation, as a result of a law, rule or regulation applicable to a Netting Member, including a Netting Member’s insolvency or bankruptcy, may be delayed or prohibited from: (i) accessing any portion of the Netting Member’s Required Fund Deposit, (ii) netting, closing out or liquidating transactions, or setting off obligations, or taking any other action contemplated by Rule 4 (Clearing Fund and Loss Allocation), Rule 21 (Restrictions on Access to Services), Rule 22 (insolvency of a Member) or Rule 22A (Procedures for When the Corporation Ceases to Act), or (iii) otherwise exercising its rights pursuant to these Rules.

\* \* \*

### **Section 2a – Intraday Calculation of VaR Amounts - Intraday Supplemental Fund Deposit**

Pursuant to procedures established by the Corporation, the Corporation shall re-calculate intraday, each Business Day, at the times established by the Corporation for this purpose, the amount of the intraday VaR Charge applicable to each Margin Portfolio of a Member, based upon the open positions in such Margin Portfolio at a designated time intraday, for purposes of establishing whether a Member shall be required to make payment of an additional amount (**hereinafter**, the Member’s “Intraday Supplemental Fund Deposit”) to its Required Fund Deposit. Such additional amount shall be deemed part of the Member’s Required Fund Deposit for all purposes under these Rules.

\* \* \*

Section 7 - Loss Allocation Waterfall, Off-the-Market Transactions

\* \* \*

**Tier One Netting Members**

Defaulting Member Events and/or Declared Non-Default Loss Events that occur within a period of ten (10) Business Days (**hereinafter**, an “Event Period”) shall be grouped together for purposes of applying the limits on loss allocation set forth in this Rule.

\* \* \*

Each loss allocation shall be communicated to Tier One Netting Members by the issuance of a notice that advises the Tier One Netting Members of the amount being allocated to them (**hereinafter**, the “Loss Allocation Notice”). Each Tier One Netting Member’s pro rata share of losses and liabilities to be allocated in any round shall be equal to (i) the average of its Required Fund Deposit for the seventy (70) Business Days preceding the first day of the applicable Event Period or such shorter period of time that the Tier One Netting Member has been a Tier One Netting Member (each Tier One Netting Member’s “Average RFD”), divided by (ii) the sum of Average RFD amounts of all Tier One Netting Members subject to loss allocation in such round.

\* \* \*

**Tier Two Members**

To the extent there is a loss or liability payable by Tier Two Members, such loss or liability shall be allocated to Tier Two Members.

If the Tier Two Members are not CCIT Members (**hereinafter**, the “Tier Two Non-CCIT Members”), the allocation will be based upon their trading activity with the Defaulting Member that resulted in a loss or liability. The Corporation shall assess such loss or liability against the Tier Two Non-CCIT Members ratably based upon their loss or liability as a percentage of the entire amount of the loss or liability attributable to such Tier Two Non-CCIT Members. Such Tier Two Non-CCIT Members with a bilateral liquidation profit will not be allocated any portion of the loss or liability otherwise attributable to Tier Two Members.

If the Tier Two Members are CCIT Members (**hereinafter**, the “Tier Two CCIT Members”), the allocation will be based upon their open trading activity with the Defaulting Member that resulted in a loss or liability. The Corporation shall assess such loss or liability against the Tier Two CCIT Members ratably based upon a percentage of the loss or liability attributable to each Tier Two CCIT Member’s specific Generic CUSIP that it had open with the Defaulting Member. Such Tier Two CCIT Members with a bilateral liquidation profit will not be allocated any portion of the loss or liability otherwise attributable to Tier Two Members.

If a Tier Two Member fails to make payment to the Corporation in respect of a Loss Allocation Notice by the time such payment is due, the Corporation shall have the right to proceed against such Tier Two Member as a Defaulting Member that has failed to satisfy an obligation in accordance with Section 6 of this Rule.



### Section 7a – Corporate Contribution

For any loss allocation pursuant to Section 7 of this Rule, whether arising out of or relating to a Defaulting Member Event or a Declared Non-Default Loss Event, the Corporation's corporate contribution to losses or liabilities that are incurred by the Corporation with respect to an Event Period (**hereinafter, the** "Corporate Contribution") shall be an amount that is equal to fifty (50) percent of the amount calculated by the Corporation in respect of its General Business Risk Capital Requirement as of the end of the calendar quarter immediately preceding the Event Period. The Corporation's General Business Risk Capital Requirement, as defined in its Clearing Agency Policy on Capital Requirements, is, at a minimum, equal to the regulatory capital that the Corporation is required to maintain in compliance with Rule 17Ad-22(e)(15) under the Exchange Act. If the Corporate Contribution is applied by the Corporation against a loss or liability relating to an Event Period, whether arising out of or relating to a Defaulting Member Event or a Declared Non-Default Loss Event, the Corporate Contribution for any subsequent Event Periods occurring during the two hundred fifty (250) Business Days thereafter shall be reduced to the remaining unused portion of the Corporate Contribution amount that applied for the first Event Period. The Corporation shall notify Members of any such reduction to the Corporate Contribution. The Corporation shall maintain one Corporate Contribution, the amount of which is available to both the Government Securities Division and the Mortgage-Backed Securities Division, and would be applied against a loss or liability in either Division in the order in which such loss or liability occurs. In the event of a loss or liability relating to an Event Period, whether arising out of or relating to a Defaulting Member Event or a Declared Non-Default Loss Event, attributable to only one Division, the Corporate Contribution shall be applied to that Division up to the amount then available. If a loss or liability relating to an Event Period, whether arising out of or relating to a Defaulting Member Event or a Declared Non-Default Loss Event, occurs simultaneously at both Divisions, the Corporate Contribution shall be applied to the respective Division in the same proportion that the aggregate Average RFDs of all members in that Division bears to the aggregate Average RFDs of all members in both Divisions.

Nothing in these Rules shall prevent the Corporation from voluntarily applying amounts greater than the Corporate Contribution against any loss or liability of the Corporation, whether arising out of or relating to a Defaulting Member Event or a Declared Non-Default Loss Event, if the Board of Directors, in its sole discretion, believes such to be appropriate under the factual situation existing at the time.

### Section 7b – Withdrawal Following Loss Allocation

If a Tier One Netting Member timely notifies the Corporation of its election to withdraw from membership in respect of a loss allocation round as set forth in Section 7 of this Rule (**hereinafter, the** "Loss Allocation Withdrawal Notice"), the Tier One Netting Member shall:

\* \* \*

## RULE 5 - COMPARISON SYSTEM

### Section 1 - General

\* \* \*

Trade data may be entered via any means permitted by the Corporation, and must include such identifying detail as the Corporation may require. As trade data are submitted to the Corporation, the Corporation shall generate output indicating that such trade data: (1) is compared, (2) is uncomparing, (3) comparison is requested with regard to **an advisory** (~~“comparison requested”~~), and/or (4) has been deleted from the Comparison System.

\* \* \*

### Section 4 – Submission Size Alternatives

\* \* \*

Notwithstanding the above: (i) GCF Repo Transactions and Sponsored GC Trades must be submitted exactly as executed, and (ii) when the Corporation deems it appropriate and advises Members of such, Members using the Interactive Submission Method may submit Full-Sized Trades exactly as executed, for amounts over \$50 million. ~~The Corporation shall establish procedures governing the manner in which the Corporation shall compare Full-Sized Trades to trades submitted in pieces and the order in which such comparison shall occur. The Corporation shall inform Members of these procedures by notice prior to their implementation.~~

The Corporation may discipline a Member for a violation of this section in accordance with Rule 48.

### Section 5 – General Responsibilities of Members in the Comparison System

Trade data submitted to the Corporation by a Member or on behalf of a Member by an authorized submitter shall be submitted in the form and manner, and in accordance with the ~~time schedule~~**timeframes**, prescribed by, or pursuant to, these Rules or otherwise by the Corporation.

\* \* \*

### Section 6 - Binding Nature of Comparisons

Comparisons generated by the Corporation, whether for data submitted on a yield basis or on a price basis, shall constitute the sole comparison for all trades in Eligible Securities for which Members have submitted data and which the Corporation has identified as Compared Trades. Each comparison generated by the Corporation as to any Compared Trade shall evidence a valid, binding and enforceable contract in respect of such Compared Trade. ~~Except as otherwise provided in Rule 10, a~~**Any** confirmations, comparison or other documentary evidence of any such Compared Trade, other than the comparison generated by the Corporation, shall not affect the existence or terms and conditions of such a valid, binding and enforceable contract in respect of such Compared

Trade. Notwithstanding the previous sentence, the comparison by the Corporation of a trade involving unmatched commission amounts pursuant to the Rules, while evidencing a valid, binding, and enforceable contract between the parties to the trade to the same degree as if the commission amounts matched, shall not constitute a final, binding determination by the Corporation as to the correct commission amount owing on such trade. The Broker that submitted data on such trade shall have an ongoing obligation to the Dealer that submitted data on such trade to respond promptly to such Dealer's commission difference inquiries, and to act in good faith to promptly resolve any such alleged differences.

\* \* \*

Section 8 - Novation and Guaranty of Compared Trades

(a) Each Compared Trade that meets the requirements of Section 2 of Rule 11 and was entered into in good faith shall be Novated to the Corporation ~~and the Corporation shall guarantee the settlement of each such Compared Trade~~ at the time at which comparison of such Compared Trade occurs pursuant to Rules 6A, 6B or 6C. Such Novation shall consist of the termination of the deliver, receive and related payment obligations between the Netting Members, or between a CCIT Member (or Joint Account) and a Netting Member, with respect to the Compared Trade (including, if such Compared Trade is a Repo Transaction, any Right of Substitution established by the parties) and their replacement with identical obligations to and from the Corporation in accordance with these Rules.

(b) Each Same-Day Settling Trade that becomes a Compared Trade and was entered into in good faith shall be Novated to the Corporation, ~~and the Corporation shall guarantee the settlement of each such Compared Trade~~ at the time at which the comparison of such trade occurs pursuant to Rules 6A or 6B, as applicable, provided the trade meets the requirements of Section 11(ii) of Rule 12. Such Novation shall consist of the termination of the deliver, receive and related payment obligations between the Netting Members and their replacement with identical obligations to and from the Corporation in accordance with these Rules.

(c) If a trade becomes uncomparing or is cancelled pursuant to these Rules, ~~the Novation and the Corporation's guaranty of settlement of such transaction shall be reversed, cancelling the deliver, receive, and related payment obligations between the Corporation and the applicable Netting Members and, as applicable, CCIT Member (or Joint Account), created by such Novation.~~ the deliver, receive, and related payment obligations between the Corporation and the Netting Members and, as applicable, CCIT Member (or Joint Account), created by the Novation of such trade shall be terminated and cancelled, and no amounts shall be owing between the Corporation and the Netting Members or CCIT Member (or Joint Account) on account of such trade. If a Compared Trade is modified pursuant to these Rules after Novation and such modification does not cause such trade to become uncomparing, such modification shall cause a corresponding modification to the deliver, receive and related payment obligations of the relevant Netting Members and, as applicable, CCIT Member (or Joint Account), to and from the Corporation.

(d) At the time a Compared Trade is Novated to the Corporation, such Compared Trade shall cease to be bound by any bilateral agreement between the parties to such Compared

Trade with respect to the delivery, receive and related payment obligations. If a Compared Trade becomes uncomparing or is cancelled pursuant to these Rules, such trade shall be governed by the same bilateral agreement that governed the trade before it was ~~Novated~~ Novated to the Corporation.

~~(e) If a Right of Substitution was established by the parties to a Repo Transaction, such Right of Substitution shall continue and be recognized by the Corporation after Novation.~~

\* \* \*

## RULE 6C - LOCKED-IN COMPARISON

\* \* \*

### Section 2 - Authorizations of Transmission to and Receipt by the Corporation of Data on Locked-In Trades

Except with respect to Auction Purchases, which are governed by Section 3 of this Rule, each Member that wishes to have a Locked-In Trade Source submit trade data on its behalf shall provide the Corporation, prior to the time of the making of such Locked-In Trade and in the form and manner required by the Corporation, with authorization for the Corporation to receive from the Locked-In Trade Source data on the Locked-In Trade. The Corporation shall not accept data from a Locked-In Trade Source with regard to a Member unless the Corporation previously has received such authorization from such Member. With regard to GCF Repo Transactions, the Corporation shall not accept data from a GCF-Authorized Inter-Dealer Broker regarding any such **GCF Repo** Transaction unless the Corporation previously has received authorization to do so from each of the two GCF Counterparties to the GCF-Authorized Inter-Dealer Broker on such **GCF Repo** Transaction.

\* \* \*

### Section 5 - GCF Repo Transactions

A GCF Repo Transaction shall be eligible for comparison by the Corporation subject to the following conditions: (a) the data on such **GCF Repo** Transaction are submitted to the Corporation by a GCF-Authorized Inter-Dealer Broker; (b) the data are submitted pursuant to communications links, formats, timeframes and deadlines established by the Corporation for such purpose; (c) the data submission meets the requirements set forth in the Schedule of **Required and Other Data Submission** Items for GCF Repo Transactions; (d) the data submission meets the authorization requirements of Section 2 of this Rule; (e) the data submission meets the netting-eligibility requirements provided for in Section 2 of Rule 11; and (f) each of the two GCF Counterparties that are the counterparties (or are acting as Submitting Member for an Executing Firm that is the counterparty) to the GCF-Authorized Inter-Dealer Broker on such **GCF Repo** Transaction has a clearing arrangement with a bank authorized by the Corporation for such purpose.

\* \* \*

### Section 8 - Discretion to not Accept Data

In its sole discretion, the Corporation may decline to accept from a Locked-In Trade Source data on the Locked-In Trades of a particular Member or Members, including Netting-Eligible Auction Purchases (subject to ~~the terms and conditions agreed to by the Corporation and the applicable~~ Treasury Department **regulations** regarding Netting-Eligible Auction Purchases).

\* \* \*

Section 11 – Modification and Cancellation of Data on Netting-Eligible Auction Purchases and Related When Issued Transactions

\* \* \*

Notwithstanding anything to the contrary in this Section, the Corporation shall have the authority, in order to correct or avoid an error, to unilaterally modify, add, or cancel data on any Netting-Eligible Auction Purchase (subject to ~~the terms and conditions agreed to by the Corporation and the~~ applicable Treasury Department regulations regarding Netting-Eligible Auction Purchases).

Notwithstanding anything to the contrary in this Section, in the event that a security auctioned in a Treasury Department auction is not issued, the Corporation shall have the authority to unilaterally modify, add, or cancel data on any Netting-Eligible Auction Purchase involving that security (subject to ~~the terms and conditions agreed to by the Corporation and the~~ applicable Treasury Department regulations regarding Netting-Eligible Auction Purchases).

Section 12 - Affirmation, Cancellation, and Modification Requirements for Data on GCF Repo Transactions

Upon receipt by the Corporation of data on a GCF Repo Transaction, the Corporation shall promptly provide each of the two GCF Counterparties with such data. Each GCF Counterparty shall have the obligation to review such data, and either affirm or ~~disaffirm-cancel~~ such data, within the timeframe, and pursuant to procedures, established by the Corporation for such purpose. If a GCF Counterparty affirms such data within the timeframe established by the Corporation for such purpose, the GCF Repo Transaction shall remain compared by the Corporation. If a GCF Counterparty ~~disaffirms cancels~~ such data within the timeframe established by the Corporation for such purpose, the GCF Repo Transaction shall be canceled and deleted by the Corporation.

If a GCF Counterparty does not either affirm or ~~disaffirm-cancel~~ such data within the timeframe established by the Corporation for such purpose, such GCF Counterparty shall be deemed to have affirmed such data. Should a GCF Repo Transaction be affirmed in this manner, the GCF-Authorized Inter-Dealer Broker that submitted data on such GCF Repo Transaction nonetheless shall have an ongoing obligation to the GCF-Counterparty to respond promptly to such GCF-Counterparty's inquiries regarding trade data errors, and to act in good faith to promptly resolve any such alleged errors.

During the time period between receipt by the Corporation of data on a GCF Repo Transaction and its affirmation pursuant to the above paragraph, such data may be unilaterally cancelled by either: (a) the GCF-Authorized Inter-Dealer Broker as regards either or both sides of the GCF Repo Transaction, or (b) a GCF Counterparty as regards the side of the GCF Repo Transaction involving it and the GCF-Authorized Inter-Dealer Broker.

After data on a GCF Repo Transaction has been affirmed, such data may be cancelled only by the combined action of the GCF-Authorized Inter-Dealer Broker and a GCF Counterparty as regards their side of the GCF Repo Transactions; one of the two parties must request a cancellation and the other must approve such request.

Any data input field on an unaffirmed GCF Repo Transaction may be modified unilaterally by a GCF-Authorized Inter-Dealer Broker. A GCF Counterparty may not modify any data on a GCF Repo Transaction except for the external reference number that has been assigned to such **GCF Repo** Transaction by the Corporation. If a GCF Counterparty modifies the external reference number that has been assigned to a GCF Repo Transaction by the Corporation, such action shall be the equivalent of an affirmation of the **GCF Repo** Transaction by such GCF Counterparty.

Notwithstanding anything to the contrary in this Section, the Corporation shall have the authority, in order to correct or avoid an error, to unilaterally correct, add, or cancel data on a GCF Repo Transaction.

Any cancellation of a GCF Repo Transaction pursuant to this section shall cause the GCF Repo Transaction to become uncomparred.

\* \* \*

## **RULE 9 - YIELD TO PRICE CONVERSION**

\* \* \*

### Section 2 - Conversion

\* \* \*

The conversion by the Corporation from a yield basis to a price basis of data on an Eligible Conversion Trade submitted to the Corporation prior to the Final Price Date for such trade by a Member shall: (1) if such trade is eligible for netting by the Corporation pursuant to these Rules, be deemed to have occurred during the same processing cycle during which such data are compared by the Corporation on a yield basis, and (2) if such trade is not eligible for netting by the Corporation pursuant to these Rules, be deemed to have occurred on Final Price Date. The conversion by the Corporation from a yield basis to a price basis of data on an Eligible Conversion Trade submitted to the Corporation by a ~~Conversion-Participating~~ Member on or after the Final Price Date for such trade shall be deemed to have occurred on the Business Day of receipt by the Corporation of such submission.

\* \* \*



## RULE 10 – ENHANCED COMPARISON PROCESSES PRESUMED MATCH DATA

\* \* \*

### Section 3 - Affiliated Members

~~If data on a side of a trade submitted by a Member (hereinafter, the “First Member”) against another Member (hereinafter, the “Non-Contraparty Affiliated Member”) do not compare as submitted, but would compare if matched against data submitted by a third member that is an Affiliate of the Non-Contraparty Affiliated Member (hereinafter, the “Contraparty Affiliated Member”), the Corporation may, in its discretion, if it has received notice from the Non-Contraparty Affiliated Member and the Contraparty Affiliated Member, in a form and manner satisfactory to the Corporation (which notice may vary on a product-by-product basis), stating that they are Affiliates and that each wishes to be presumed to be the correct contraparty to a side of a trade submitted with an indication that the other is the contraparty, if this would allow the data on the trade to match, compare the trade based on the first Member’s correct contraparty being the Contraparty Affiliated Member. Members that are Affiliates may submit written authorization to the Corporation stating that each Affiliate wishes to be presumed to be the correct contra-party to a side of a trade, if this presumption would allow the data on a trade that has differing contra member identifying numbers to match. Such written authorization must be in a form and manner satisfactory to the Corporation and may vary on a product-by-product basis. If a trade between two contra-parties (hereinafter, the “First Member” and “Second Member”) submitted to the Corporation does not match because the First Member submitted the contra member identifying number of the Second Member’s Affiliate instead of the Second Member, the Corporation shall compare the trade based on the Second Member’s trade submission as if the First Member submitted the contra member identifying number of the Second Member and the Corporation has received the written authorization referred to in this paragraph from the Second Member and the Second Member’s Affiliate.~~

\* \* \*

### Section 5 - Trade Date Information

If the data on a trade do not compare because the information submitted regarding trade date does not match, the Corporation ~~may shall, in its discretion~~, compare the trade based on a presumption that the earlier trade date submitted is the correct trade date. ~~In exercising this discretion, the Corporation shall attempt to match a buy/sell side with a contra sell/buy side with the closest trade date. This Section shall not apply to Repo Transactions.~~

Notwithstanding the above, if the First Member submits a side of a buy/sell transaction to the Corporation, and the Second Member as contra-party submits more than one (1) side of a buy/sell transaction with similar trade data to the Corporation where the trade date does not match, the Corporation shall compare the side of the buy/sell transaction submitted by the First Member with a side of a buy/sell transaction submitted by the Second Member where the trade date on the Second Member’s buy/sell transaction is closest in date range to the trade date submitted by the First Member.

**The enhanced comparison process referenced in this Section shall not apply to Repo Transactions when such process is performed at end of day.**

**Section 6 – Money Tolerances**

**If the data of a Required Match Data item on a trade do not compare because the dollar amount(s) submitted by two Members differs, the Corporation shall compare the trade if the difference in the Required Match Data item is within the tolerance specifications set by the Corporation in the Schedule of Money Tolerances.**

**Section 67 – Timing and Cumulative Effect of Presumptions**

Notwithstanding anything to the contrary in this Rule, **the Corporation may apply** more than one presumption of a match of data ~~may be used by the Corporation~~ to generate a comparison of a trade.

~~The Corporation shall provide Members with prior notice setting forth, with regard to each enhanced comparison process, whether it shall be performed in Real Time or at end of day.~~ **The Corporation shall perform the enhanced comparison processes regarding the presumed match of data set forth in Sections 1, 2, 5 and 6 of this Rule 10 in Real Time. The Corporation shall also perform the enhanced comparison processes regarding the presumed match of data set forth in Sections 1, 2, 3, 4, 5 and 6 of this Rule 10 at end of day, with the exception that, at end of day, Sections 4 and 5 shall not apply to Repo Transactions.**

## RULE 11 - NETTING SYSTEM

### Section 1 - General

The Netting System is a system for aggregating and matching offsetting obligations resulting from trades, including Repo Transactions, submitted by or on behalf of Netting Members in Eligible Netting Securities. Each Business Day, the Corporation will calculate and report to each Netting Member, in a manner that does not disclose to any Netting Member, with respect to any Net Settlement Position, ~~Fail Net Settlement Position~~, or Forward Net Settlement Position, the identity of any other Netting Member, each Net Settlement Position, ~~Fail Net Settlement Position~~ and Forward Net Settlement Position of a Member. With respect to each such Net Settlement Position ~~and Fail Net Settlement Position~~, the Corporation will report to the Member the extent to which the Member is obligated to deliver Eligible Netting Securities to the Corporation and/or to receive Eligible Netting Securities from the Corporation, in accordance with each such Net Settlement Position.

\* \* \*

### Section 4 - Calculation of Net Settlement Positions

On each Business Day, for each Eligible Netting Security with a separate CUSIP number, except as otherwise provided in Rule 14 with respect to Forward Trades that comprise one or more Forward Net Settlement Positions, the Corporation will establish a Net Settlement Position ~~or Fail Net Settlement Position, as applicable~~, for trades, and Fail Deliver Obligations and Fail Receive Obligations of a Netting Member that have not previously been settled, by comparing the aggregate par value amount of each Long Transaction and/or Fail Receive Obligation in an Eligible Netting Security by the Netting Member (hereinafter, the "Long Total") and each Short Transaction and/or Fail Deliver Obligation in an Eligible Netting Security by the Netting Member (hereinafter, the "Short Total"). If the Long Total exceeds the Short Total, the resulting difference will constitute the Net Long Position. If the Short Total exceeds the Long Total, the resulting difference will constitute the Net Short Position. All Net Settlement Positions, ~~including Fail Net Settlement Positions~~, shall be reported, by CUSIP Number, by the Corporation in a Report issued and made available ~~during the morning of each Business Day~~ to each Netting Member by the time stated in the Schedule of Timeframes.

### Section 5 - Allocation of Deliver and Receive Obligations

On each Business Day, except as otherwise provided in Rule 14 with regard to Forward Trades that comprise Forward Net Settlement Positions, the Corporation will establish Deliver Obligations and Receive Obligations as necessary to accomplish the settlement of Net Settlement Positions ~~or Fail Net Settlement Positions, as applicable~~. Deliver Obligations and Receive Obligations shall be allocated by the Corporation on an equitable basis to Netting Members with corresponding Receive Obligations and Deliver Obligations that involve Eligible Netting Securities with the same CUSIP Number. A single Net Settlement Position ~~or Fail Net Settlement Position~~ may result in the establishment of more than one Deliver Obligation or Receive Obligation in an Eligible Netting Security. ~~A single Deliver Obligation may be bound by the Corporation to more than one Receive Obligation, and vice versa.~~ Each Deliver Obligation

and Receive Obligation of a Netting Member shall be listed in the Report that, pursuant to Section 4 of this Rule, will be issued on each Business Day to each Netting Member.

#### Section 6- Netting of Obligations

Net Settlement Positions and resultant Deliver Obligations and Receive Obligations of a Netting Member, either as originally established by the Corporation or as may be adjusted by the Corporation as the result of a correction of compared data made pursuant to these Rules, shall be fixed at the time the Report of such **Net Settlement** Positions and **Deliver** Obligations is made available by the Corporation to a Netting Member, as provided in Section 10 of this Rule. At that time, all deliver, receive, and related payment obligations between such Netting Member and the Corporation that were created by the trades, ~~Novated~~ pursuant to Section 8 of Rule 5, and that comprise a Net Settlement Position or **Net Settlement** Positions are terminated and replaced by the Deliver Obligations, Receive Obligations, and related payment obligations for such Members that are listed in the Report.

Notwithstanding anything to the contrary in the above paragraph, ~~if a Right of Substitution applicable was established by the parties to a Repo Transaction that constitutes all or part of a Net Settlement Position, such Right of Substitution shall continue, and~~ be recognized by the Corporation, ~~after the netting of obligations pursuant to these Rules above paragraph.~~

\* \* \*

#### Section 8 - ~~Fail Net Settlement Positions~~ ~~Fail Deliver Obligations and Fail Receive Obligations~~

On each Business Day, from their Scheduled Settlement Date, ~~Fail Net Settlement Positions~~ **Fail Deliver Obligations and Fail Receive Obligations, as applicable,** shall, pursuant to Rule 13, be marked to market, taking into account accrued interest, until the Actual Settlement Date for such ~~Positions~~ **Fail Deliver Obligations and Fail Receive Obligations.** Notwithstanding the above, the Corporation, in its sole discretion in order to promote an orderly settlement process, may elect to not mark to market, pursuant to Rule 13, a ~~Fail Net Long Position~~ **Fail Receive Obligation** where the Eligible Netting Securities that comprise such ~~Position~~ **Fail Receive Obligation** have been appropriately delivered to the Corporation pursuant to these Rules and the Corporation has not re-delivered such Eligible Netting Securities and, as a result, has held them overnight. Fail Deliver Obligations and Fail Receive Obligations shall be netted with any other Receive Obligations and Deliver Obligations.

The Corporation shall be obligated to deliver Eligible Netting Securities to a Netting Member with a Net Long Position as required by this Rule in order to settle such **Net Long** Position; however, the Corporation shall not be obligated to attempt to make any such delivery or deliveries until the Business Day on which the Corporation has received, as the result of a delivery to it from a Netting Member with a Net Short Position, Eligible Netting Securities with the same CUSIP number that: (1) are at least equal in quantity to such Net Long Position, and (2) have not, pursuant to this Rule, been allocated for delivery by the Corporation to another Netting Member.

\* \* \*

Section 10 - Receipt of Netting Output

\* \* \*

The inability of a Netting Member, because of automation problems that it incurs or for any other reason, to receive a Report that has been made available to it by the Corporation shall not excuse or otherwise affect such Member's obligations pursuant to these Rules. A Netting Member shall be obligated to accept Reports from the Corporation in **at least one (1) of the any formats and in any or mediums prescribed by the Corporation, that is** usable by such Member; **including, but not limited to, print copy, magnetic tape, and CPU-to-CPU (either real-time or otherwise) media.**

\* \* \*

Section 12 - Obligation to Inform the Corporation

Each Netting Member shall be obligated to inform the Corporation **promptly if any** of the following **events were to occur:**

\* \* \*

~~The Netting Member shall inform the Corporation promptly after the occurrence of any event specified above.~~

\* \* \*

Section 13 - Buy-in Notices

If a Netting Member (hereinafter, the "Notifying Netting Member") submits to the Corporation a retransmitted notice of a buy-in with respect to Eligible Netting Securities that comprise an ~~Open Net Long Position~~ **Fail Receive Obligation** (hereinafter, the "~~Allocated Net Long Position~~ **Fail Receive Obligation**"), the Corporation shall promptly retransmit such notice, on a random basis, to a Netting Member or Members (hereinafter, the "Allocated Netting Member") with an ~~Open Net Short Position or Positions~~ **Fail Deliver Obligation or Fail Deliver Obligations** (hereinafter, the "~~Allocated Net Short Position~~ **Fail Deliver Obligation**"):

(a) that is comprised of Eligible Netting Securities having the same CUSIP number as the Eligible Netting Securities that are the subject of the notice,

(b) that is equal to or greater than, in size, the Allocated ~~Net Long Position~~ **Fail Receive Obligation** (or, if there is no such Allocated ~~Net Long Position~~ **Fail Receive Obligation** at least equal in size to the Allocated ~~Net Short Position~~ **Fail Deliver Obligation**, the largest such Allocated ~~Net Long Positions~~ **Fail Deliver Obligations**), and

\* \* \*

Notwithstanding anything to the contrary in this Rule or in Rules 12 or 13:

(d) the Notifying Netting Member's obligation to settle with the Corporation the Allocated ~~Net Long Position~~Fail Receive Obligation pursuant to these Rules through receipt of the underlying Eligible Netting Securities, and the Allocated Netting Member's obligation to settle with the Corporation the Allocated ~~Net Short Position~~Fail Deliver Obligation pursuant to these Rules through delivery of the underlying Eligible Netting Securities, each are terminated as of the time of such notification by the Corporation, and

(e) for purposes of settlement pursuant to Rule 13 of the funds-only settlement obligations of the Notifying Netting Member with respect to the Allocated ~~Net Long Position~~Fail Receive Obligation, and the funds-only settlement obligations of the Allocated Netting Member with respect to the Allocated ~~Net Short Position~~Fail Deliver Obligation, the Allocated ~~Net Long Position~~Fail Receive Obligation and the Allocated ~~Net Short Position~~Fail Deliver Obligation shall be deemed to have been settled among such Members and the Corporation in accordance with this Rule and Rule 12, with the System Value for such purpose being deemed to be, for each Position, equal to the Buy-in Price.

#### Section 14 – Fails Charge

If a Netting Member does not satisfy a Deliver Obligation of Treasury securities or debentures issued by Fannie Mae, Freddie Mac or the Federal Home Loan Banks on a particular Business Day, the Corporation shall apply a debit charge on the funds amount associated with the Netting Member's failed position (hereinafter, the "fails charge"). If a Netting Member fails to receive Securities representing its Receive Obligation of Treasury securities or debentures issued by Fannie Mae, Freddie Mac or the Federal Home Loan Banks on a particular Business Day, the Corporation shall credit the Member in the amount of the fails charge.

\* \* \*

In the event that the Corporation is the failing party because the Corporation received Securities too near the close of Fedwire for redelivery or for any other reason, the fail charge will be distributed pro rata to the Netting Members based upon usage of the ~~Government Securities Division's~~Corporation's services.

\* \* \*

The Corporation shall not be under any obligation to pay guaranty fails charge proceeds in the event of a default (i.e., if the ~~d~~Defaulting Member does not pay its fails charge, Members due to receive fails charge proceeds will have those proceeds reduced pro-rata by the ~~d~~Defaulting Member's unpaid amount).

\* \* \*

**RULE 11B—GUARANTY OF SETTLEMENT**

~~(a) — The Corporation shall guarantee the settlement of a trade the data on which were submitted for Bilateral Comparison, Demand Comparison, or Locked-In Comparison at the time the comparison of such trade occurs pursuant to Rules 6A, 6B, or 6C, respectively, as long as the trade meets the requirements of Section 2 of Rule 11 and was entered into in good faith.~~

~~(b) — The Corporation's guaranty referred to in subsection (a) above shall mean the Corporation's obligation to include the trade in calculating a Net Settlement Position and to novate the deliver, receive, and payment obligations that were created by the trade pursuant to these Rules. The Corporation's guaranty of settlement of an individual trade applies only to the settlement of that trade as it exists as part of a Net Settlement Position.~~

~~(c) — The Corporation's guaranty referred to in subsections (a) and (b) above shall no longer be in effect if the trade becomes uncompleted, is cancelled, or settles pursuant to these Rules.~~

~~(d) — Notwithstanding the Corporation's guaranty referred to in subsections (a), (b), and (c) above, the Corporation shall guarantee the settlement of any Same-Day Settling Trade at the time that the comparison of such trade occurs pursuant to Rules 6A or 6B, respectively, provided (i) the trade meets the requirements of Section 11(ii) of Rule 12, and (ii) the trade was entered into in good faith.~~

## RULE 12 – SECURITIES SETTLEMENT

### Section 1 - General

\* \* \*

The Corporation shall offer a voluntary automated Pair-Off Service for Netting Members (other than Repo Brokers) who choose to participate. The Pair-Off Service shall apply to all eligible activity of a participating Netting Member. The Pair-Off Service shall consist of the matching and offset of a participating Netting Member's ~~Fail-outstanding~~ Deliver Obligations and ~~Fail-outstanding~~ Receive Obligations in equal par amounts in the same Eligible Netting Security. The participating Netting Member shall receive a debit or credit Pair-Off Adjustment Amount (which the Corporation may collect as a Miscellaneous Adjustment Amount), as applicable, of the difference in the Settlement Values of the applicable ~~Fail~~ Deliver Obligations and ~~Fail~~ Receive Obligations in the funds-only settlement process under Rule 13. The Corporation may delay or suspend the Pair-Off Service on any Business Day due to FRB extensions and/or system or operational issues. The Corporation shall notify Members of any such occurrence.

Any Securities Settlement Obligations remaining after the pair-off of eligible Securities Settlement Obligations will constitute ~~a Fail Net Settlement Position~~ either a Fail Deliver Obligation or Fail Receive Obligation, as the context requires.

### Section 2 - Designation of Clearing Banks

\* \* \*

A Person must notify the Corporation, in such manner as the Corporation may prescribe, no later than ten Business Days prior to its becoming a Netting Member, of the clearing bank or banks that it has designated to act on its behalf, pursuant to this Rule, in the delivery of Eligible Netting Securities to the Corporation and in the receipt of Eligible Netting Securities from the Corporation. Each Netting Member must notify the Corporation of any change in such designation, no later than ten Business Days prior to the effective date of such change. Such designation is subject to the Corporation's determination, in its reasonable judgment, that such clearing bank or banks (a) has and will maintain access to Fedwire, (b) has and will maintain the operational capability to interact satisfactorily with the clearing bank or banks that act on behalf of the Corporation, and (c) has agreed to act on behalf of such Netting Member in accordance with this Rule.

\* \* \*

### Section 4 - ~~Fail Net Settlement Positions~~ Fail Deliver Obligations and Fail Receive Obligations

Each ~~Fail Net Settlement Position~~ Fail Deliver Obligation and Fail Receive Obligation shall be maintained by the Corporation on each Business Day subsequent to its Scheduled Settlement ~~Day Date~~ until and including the Actual Settlement ~~Day Date~~ for such ~~Fail Net Settlement Position~~ Fail Deliver Obligation and Fail Receive Obligation.



### Section 5 - Partial Deliveries

In its sole discretion, the Corporation may accept a delivery from a Netting Member with a Net Short Position of only a portion of the Eligible Netting Securities that comprise such Net Short Position. The Corporation will do so only upon obtaining the consent of a Netting Member or Members with a Net Long Position or **Net Long** Positions comprised of Eligible Netting Securities with the same CUSIP number to a receipt by the Netting Member or Members from the Corporation of a like amount of such securities. If a partial delivery of Eligible Netting Securities by a Netting Member is accepted by the Corporation, the remaining securities that were not delivered to the Corporation will constitute a ~~Fail Net Settlement Position~~**Fail Deliver Obligation**.

\* \* \*

### Section 7 - Obligation to Receive Securities

If the Corporation has, in accordance with this Rule, delivered Eligible Netting Securities to a Netting Member with a Net Long Position, such Member shall be obligated to accept delivery of all such securities at the Settlement Value for the Receive Obligation or Receive Obligations that comprise such **Net Long** Position. If such Member fails to do so (hereinafter, the “Non-Receiving Member”), it shall be obligated to pay, or to reimburse the Corporation for, all costs, expenses, and charges incurred by the Corporation as the result thereof, and it may be subject to a fine by the Corporation if the Corporation, in its sole discretion, determines that such failure to accept securities was done without good cause.

\* \* \*

### Section 8 - Obligation to Facilitate Financing

If the Corporation deems it appropriate, in its sole discretion, in order to obtain financing necessary for the provision of the securities settlement services contemplated by these Rules, including, without limitation, fail financing of ~~securities Positions~~**an outstanding Receive Obligation or Receive Obligations** arising out of the delivery by Netting Members to the Corporation of Eligible Netting Securities, the Corporation may: (i) create, and each Netting Member shall not take any action to adversely affect the creation of, such security interests in Eligible Netting Securities in favor of any entity or entities, including any depository institution, from which the Corporation, in its sole discretion, deems it necessary or desirable to obtain and maintain such financing and/or (ii) enter into repurchase transactions involving Eligible Netting Securities with any Netting Member or Clearing Agent Bank, and each Netting Member shall not take any action to adversely affect such repurchase transactions. Any such financing obtained by the Corporation may be on terms and conditions deemed necessary or advisable by the Corporation in its sole discretion. Any such security interests or repurchase transaction obligations created by the Corporation in or with respect to any Eligible Netting Securities may be to obtain an amount greater, and may extend for a period of time longer, than the obligation of any Netting Member to the Corporation relating to such Eligible Netting Securities. Notwithstanding the above, the Corporation shall remain obligated to make delivery to Members of Eligible Netting Securities under the circumstances and within the timeframes specified in these Rules. If an Inter-Dealer

Broker Netting Member obtains financing of a Net Settlement Position, it must obtain such financing by entering into overnight repurchase transactions only with a Netting Member or Clearing Agent Bank.

\* \* \*

#### Section 11 – Settlement of Same-Day Settling Trades with the Corporation

(i) Settlement of Same-Day Settling Trades with the Corporation shall be voluntary for Repo Brokers and shall be mandatory for all other Netting Members.

(ii) Eligibility for Settlement

A Same-Day Settling Trade is eligible for settlement with the Corporation if it meets all of the following requirements:

(a) the Same-Day Settling Trade is a Compared Trade;

(b) the data on the Same-Day Settling Trade are listed on a Report that has been made available to Netting Members;

(c) (i) the End Leg of the Same-Day Settling Trade meets the eligibility requirements for netting in Rule 11, or (ii) the Repo Transaction is an As-Of Trade and its End Leg settles on the current Business Day or thereafter; ~~and~~

(d) the underlying securities are Eligible Netting Securities, and

(e) regarding the form and manner in which Same-Day Settling Trades are submitted to the Corporation, the Same-Day Settling Trade is submitted in equal and identical size and shapes between Netting Members. For the avoidance of doubt, “identical size and shapes” means that each counterparty submit trade data reflecting equal par amounts and number of sides.

\* \* \*

Notwithstanding the above, the Corporation may, in its sole discretion, exclude any Same-Day Settling Trade or Same-Day Settling Trades from the Comparison System, by Netting Member or by Eligible Netting Security, including cancelling any Same-Day Settling Trade that does not meet the eligibility requirements set forth in this Rule.

(iii) Settlement

Same-Day Settling Trades that are ~~Nov~~ated and that meet the eligibility requirements by the Corporation pursuant to Section 11(ii) of Rule 12 shall settle with the Corporation on a trade-by-trade basis. The Deliver Obligations of a Netting Member with respect to such transactions must be satisfied by delivery of the appropriate Eligible Netting Securities from a clearing bank or banks designated by the Member for such purpose to a clearing bank or banks designated by the Corporation for such purpose. The Receive Obligations of a Netting Member with respect to such

transactions must be satisfied by receipt of the appropriate Eligible Netting Securities by a clearing bank or banks designated by the Member for such purpose from a clearing bank or banks designated by the Corporation for such purpose.

\* \* \*

If a ~~Novated~~ Same-Day Settling Trade becomes uncompleted or is cancelled pursuant to these Rules, **the deliver, receive, and related payment obligations between the Corporation and the Netting Members created by the Novation of such trade shall be terminated and cancelled, and no amounts shall be owing between the Corporation and the Netting Members on account of such trade** ~~the Novation and the Corporation's guaranty of settlement of such transaction shall no longer apply, cancelling the deliver, receive, and related payment obligations between the Corporation and the applicable Netting Members, created by such Novation~~. In the event that such transaction is uncompleted or cancelled after the satisfaction of the deliver, receive, and related payment obligations between the Corporation and the applicable Netting Members, the Corporation shall establish reverse Securities Settlement Obligations in the form of a Receive Obligation or Deliver Obligation for the amount of the Contract Value of the uncompleted or cancelled Same-Day Settling Trade between the Corporation and the applicable Netting Members. If such Receive Obligation or Deliver Obligation fails to settle, it shall be netted for settlement on the next Business Day. Those that fail to settle will be subject to the fails charge pursuant to Rule 11, Section 14.

Sections 6, 7, 8 and 9 of Rule 12 shall be applicable in connection with the settlement of Same-Day Settling Trades with the Corporation.

## RULE 13 - FUNDS-ONLY SETTLEMENT

\* \* \*

### Section 1 - General

One or more times on each Business Day, each Netting Member, as appropriate in accordance with this Rule, shall be obligated to pay to the Corporation, and/or shall be entitled to collect from the Corporation, the following (determined separately, where applicable, for the Market Professional Cross-Margining Account of a Netting Member):

(a) With regard to every Net Settlement Position, other than ~~either a Fail-Net Settlement Position or~~ a Forward Net Settlement Position, either pay to the Corporation a Debit Transaction Adjustment Payment or collect from the Corporation a Credit Transaction Adjustment Payment;

(b) With regard to ~~every~~certain Deliver Obligations and Receive Obligations, either pay to the Corporation a Debit Delivery Differential Adjustment Payment or collect from the Corporation a Credit Delivery Differential Adjustment Payment;

\* \* \*

(f) With regard to every ~~Fail-Net Settlement Position~~ Fail Deliver Obligation and Fail Receive Obligation on a coupon payment date for the Eligible Netting Securities that comprise such ~~Fail-Net Settlement Position~~ Fail Deliver Obligation and Fail Receive Obligation: (1) if the Member ~~is in a Fail-Net Short Position~~ has a Fail Deliver Obligation, it shall pay to the Corporation a Debit Coupon Adjustment Payment, and (2) if the Member ~~is in a Fail-Net Long Position~~ has a Fail Receive Obligation, it shall collect from the Corporation a Credit Coupon Adjustment Payment;

\* \* \*

(h) With regard to every Net Settlement Position or End Leg of a Repo Transaction on the maturity date for the Eligible Netting Security that comprises such Net Settlement ~~p~~Position or Repo Transaction: (1) if the Redemption Adjustment Payment is a positive amount, then the Member shall collect a Credit Redemption Adjustment Payment from the Corporation, and (2) if the Redemption Adjustment Payment is a negative amount, then Member shall pay to the Corporation a Debit Redemption Adjustment Payment;

\* \* \*

Notwithstanding anything to the contrary in Rule 1 or in this Rule, if a Member's has engaged in transactions involving Eligible Netting Securities with an Exempt Member/Source, the Corporation's obligation to pay to such Member a Credit Forward Mark Adjustment Payment, or Credit Forward Mark Adjustment Payments associated with such Position transactions shall be limited by, and shall be no greater than, the Amount of Debit Forward Mark Adjustment Payment or Payments payable to the Corporation under these Rules from the Exempt Member/Source.

\* \* \*

## Section 2 - Calculation of Funds-Only Settlement Amount

\* \* \*

The Funds-Only Settlement Amount of each Netting Member shall be determined by calculating the net total, for a particular ~~cycle~~**Business Day, if applicable**, of the following: (a) the Net Transaction Adjustment Payment; (b) the Net Delivery Differential Adjustment Payment; (c) the Net Forward Mark Adjustment Payment; **(d) the return of the previous cycle's Net Forward Mark Adjustment Payment**; ~~(de)~~ the Net Interest Adjustment Payment; ~~(fe)~~ the Net Fail Mark Adjustment Payment; ~~(gf)~~ the Net Coupon Adjustment Payment; ~~(hg)~~ the Net Clearance Difference Amount; ~~(ih)~~ the Net GCF Transaction Adjustment Payment; ~~(ji)~~ the Net GCF Forward Mark Adjustment Payment; ~~(kj)~~ the Net GCF Interest Adjustment Payment; ~~(lk)~~ the Total Invoice Amount; ~~(ml)~~ the Miscellaneous Adjustment Amount; ~~(nm)~~ the Net Redemption Adjustment Payment; ~~(on)~~ the Opening Balance; and ~~(po)~~ the Collected/Paid Amount. If such net total is a negative amount, such amount shall be owing by the Member to the Corporation; if such net total is a positive amount, such amount shall be owing by the Corporation to the Member. The amount of each component, as listed above, of the Funds-Only Settlement Amount shall be reported on each Business Day to each Netting Member. **The components of the Funds-Only Settlement Amount that are calculated at end of day and then collected or paid start of day, as applicable, on the following Business Day, are the amounts listed in (a) through (p) of this paragraph.**

The Corporation shall determine an intraday Funds-Only Settlement Amount by calculating a net total, for a particular ~~cycle~~**Business Day, of certain of the amounts specified in Section 1 of this Rule as the Corporation shall announce to Members from time to time, if applicable, of the following: (a) the Net Forward Mark Adjustment Payment, (b) the return of the previous cycle's Net Forward Mark Adjustment Payment, and (c) the Miscellaneous Adjustment Amount.** If such amount is a positive amount, such amount shall be owing by the Corporation to the Member. The amount of such component, as listed above, of the intraday Funds-Only Settlement Amount shall be reported on each Business Day to each Netting Member. In addition, Repo Parties will also be subject to this provision with respect to their pending (non-DK'ed) Demand Trades with Repo Brokers. **The components of the Funds-Only Settlement Amount that are calculated and collected or paid intraday, as applicable, are the amounts listed in (a) through (c) of this paragraph.**

\* \* \*

## Section 5- Funds-Only Settlement Amount Payment Process

All payments of Funds-Only Settlement Amounts by a Netting Member to the Corporation, and all collections of Funds-Only Settlement Amounts by a Netting Member from the Corporation, shall be done through the Funds-Only Settling Banks pursuant to the following process:

\* \* \*

(d) A refusal to settle by the Funds-Only Settling Bank for a particular Netting Member is a refusal to settle all ~~Accounts~~accounts of the Netting Member. The Funds-Only Settling Bank cannot refuse to settle only some of the ~~Accounts~~accounts of the Member if the Member has multiple ~~Accounts~~accounts at the Corporation.

\* \* \*

(g) DTC provides the Corporation with services with respect to the Corporation's Funds-Only Settlement process as described herein and in accordance with the Rules. DTC will act as Settlement Agent ~~(as that term is used in the relevant FRB's Operating Circular 12 and in these Rules)~~ for the Corporation and for the Corporation's Funds-Only Settling Banks with respect to the FRB's NSS, as the means of effecting Funds-Only Settlement.

(h) A Funds-Only Settling Bank that cannot send an acknowledgement or refusal message to the ~~Corporation~~Settlement Agent due to an operational issue may ~~telephone its instructions to~~ instruct the Settlement Agent to act on its behalf.

\* \* \*

## **RULE 14 – FORWARD TRADES**

### Section 1 - General

The netting, settlement, and margining of Forward Trades and Forward Net Settlement Positions are subject to the special provisions of this Rule, and such provisions supersede any conflicting provisions of any other Rule.

### Section 2 - Forward Net Settlement Positions

Each Forward Net Settlement Position of a Netting Member shall be reported, by CUSIP Number, by the Corporation in a Report issued **by the time stated in the Schedule of Timeframes for and made available during the morning of** each Business Day during the Forward Period applicable to such **Forward Net Settlement** Position to such Member. Such **Forward Net Settlement** Positions shall be established by the Corporation by comparing the aggregate par value amount of each purchase and each sale of the Eligible Netting Securities with a distinct CUSIP Number that comprise the Forward Trades that underlie such **Forward Net Settlement** Positions from the first day during the Forward Period on which such trades are compared until the current Business Day on which such **Forward Net Settlement** Position is being established.

A new Forward Net Settlement Position shall be established on each successive Business Day during the Forward Period applicable to such **Forward Net Settlement** Position. Each Forward Net Settlement Position automatically converts into a Net Settlement Position on the Scheduled Settlement Day for such Forward Net Settlement Positions. Except as otherwise provided for in Rule 22A with regard to an insolvent Member or member for which that Corporation has otherwise ceased to act, the Corporation will not establish or report Deliver Obligations or Receive Obligations with regard to a Forward Net Settlement Position.

### Section 3 - Netting

Forward Net Settlement Positions of a Netting Member, either as originally established by the Corporation or as may be adjusted by the Corporation as the result of a correction of compared data made pursuant to these Rules, shall be fixed at the time the Report of such **Forward Net Settlement** Positions is made available by the Corporation to a Netting Member, as provided in Section 10 of Rule 11. At that time, all deliver, receive, and related payment obligations between such Netting Member and the Corporation that were created by the Forward Trades, ~~Novated~~ by the Corporation pursuant to Section 8 of Rule 5, and that comprise each Forward Net Settlement Position are terminated and replaced by the Deliver Obligations, Receive Obligations, and related payment obligations that will be established and reported by the Corporation with respect to each such **Forward Net Settlement** Position on and, as applicable, after the Scheduled Settlement-~~Day~~ **Date** for such **Forward Net Settlement** Positions.

Notwithstanding anything to the contrary in the above paragraph, ~~if a Right of Substitution applicable was established by the parties to a Repo Transaction that constitutes all or part of a Forward Net Settlement Position, such Right of Substitution shall continue, and be~~ recognized by the Corporation, ~~after the netting of obligations pursuant to these Rules above paragraph.~~

\* \* \*

## **RULE 16 - NETTING OF LOCKED-IN TRADES**

### **Section 1 - General**

The ~~O~~bligations of the Corporation and each Netting Member regarding Demand Trades and Locked-In Trades that are eligible for netting and settlement through the Netting System are subject to the special provisions of this Rule, and such provisions supersede any conflicting provisions of any other Rule, except Rules 17 through 20.

\* \* \*



**RULE 17 – NETTING AND SETTLEMENT OF NETTING-ELIGIBLE AUCTION PURCHASES**

\* \* \*

Section 4 - Exception to Obligation of the Corporation to Accept Delivery and Make Payment for Netting-Eligible Auction Purchases

The Corporation shall be obligated (through its appropriate agent bank in the case of Treasury Department auctions) to accept delivery of and make payment for any Netting-Eligible Auction Purchase that has been reported by the Corporation to a Netting Member, pursuant to Rule 6C, as if the Corporation had made the Auction Purchase. Notwithstanding this, if: (1) the Netting Member has a Net Long Position comprised in whole or part of Eligible Netting Securities with the same CUSIP Number as the Netting-Eligible Auction Purchase (hereinafter, the “Residual Long Position”), (2) the Corporation has reasonable cause to believe, based on information it has received, that the Netting Member cannot or will not take delivery from the Corporation of such Residual Long Position and pay for it in accordance with these Rules, and (3) the Corporation has determined, from its analysis and prevailing market conditions that there is reasonable cause to believe that it would incur a loss upon liquidation of a Residual Long Position after application of the margin deposited by the Netting Member and the liquidation of the Netting Member’s other ~~P~~positions, then the Corporation shall have the right, prior to 8:30 a.m. (New York Time) on Issue Date, or later if approved by the Treasury Department to notify the Federal Reserve Bank from which such Auction Purchase was made that it will not accept delivery of, and make payment for, the Netting Member’s Auction Purchase up to the amount of the Netting Member’s Residual Long Position. If the Corporation exercises its right to refuse delivery under this Section, it shall promptly inform the affected Netting Member that it has done so.

\* \* \*

## RULE 18 - SPECIAL PROVISIONS FOR REPO TRANSACTIONS

\* \* \*

### Section 2 - Obligation to Submit Repo Transactions

Each Netting Member that has requested to add-of the repo netting service operated by the Corporation, ~~that it provide its Netting System services for such Member's Repo Transaction data submissions~~ must submit to the Corporation, or to either another Registered Clearing Agency or a Clearing Agency that has been exempted from registration as a Clearing Agency by the SEC, for comparison and netting, data on all of its Repo Transactions, including Repo Transactions executed by an Executing Firm on whose behalf it is acting, with any other Netting Member or Executing Firm on whose behalf it or another Netting Member is acting, if such Repo Transactions are eligible for netting pursuant to these Rules. ~~All collateral substitutions pertaining to Repo Transactions must be performed through the Corporation, and the requisite collateral substitution requests must be submitted to the Corporation in accordance with the requirements, procedures and timeframes established by the Corporation from time to time.~~

Each Netting Member must also submit to the Corporation for netting and settlement pursuant to these Rules data on each Repo Transaction (hereinafter, an "Eligible Repo Transaction") executed by a Covered Affiliate that satisfies the following criteria: (i) the Repo Transaction is eligible for netting pursuant to these Rules, and (ii) the Repo Transaction is executed with another Netting Member or with a Covered Affiliate of another Netting Member. For purposes of this Section, the term "executed" shall include Repo Transactions that are cleared and guaranteed as to their settlement by the Covered Affiliate.

The preceding paragraph shall not apply to: (i) a Repo Transaction that is executed between a Member and its Affiliates or between Affiliates of the same Member (hereinafter, an "Affiliate Trade"), (ii) a trade of a Covered Affiliate that has executed less than an average of 30 Eligible Trades (as defined in Section 3 of Rule 11) plus Eligible Repo Transactions (excluding Affiliate Trades) per business day per month within the prior twelve-month period meeting such criteria, or (iii) a Repo Transaction the submission of which to the Corporation would cause the Member to be in violation of any applicable law, rule or regulation.

All trade data required to be submitted to the Corporation under this Section must be submitted on a trade-by-trade basis with the original terms of the trades unaltered. A Member or any of its Affiliates may not engage in the Pre-Netting of Trades prior to their submission to the Corporation in contravention of this section. In addition, a Member or any of its Affiliates may not engage in any practice designed to contravene the prohibition against the Pre-Netting of Trades.

If the Corporation determines that a Netting Member has, without good cause, violated its obligations pursuant to this section, such Netting Member may be reported to the appropriate regulatory body, and/or placed on the Watch List ~~and/or subject to an additional fee~~. In addition, the Corporation may discipline a Netting Member for a violation of this section in accordance with Rule 48.

~~All collateral substitutions pertaining to Repo Transactions must be performed through the Corporation, and the requisite collateral substitution requests must be submitted to the Corporation in accordance with the requirements, procedures and timeframes established by the Corporation from time to time.~~

Section 3 - Collateral Substitutions

All collateral substitutions pertaining to Repo Transactions must be performed through the Corporation, and the requisite collateral substitution requests must be submitted to the Corporation in accordance with the requirements, procedures and timeframes established by the Corporation from time to time.

With regard to any Repo Transaction that comprises a Net Settlement Position and carries with it a Right of Substitution, a substitution of the Eligible Netting Securities collateral that underlies the Repo Transaction shall be processed by the Corporation pursuant to the following procedures and requirements:

(a) A notification for a request for substitution that contains the required data items in the Schedule of Required and Accepted Data Submission Items for a Substitution **of Existing Securities Collateral**, has been submitted to the Corporation by either: (i) the Netting Member who is the Repo Party that submitted the data on the Repo Transaction, or (ii) by a Demand Trade Source or a Locked-In Trade Source approved by the Corporation to provide such data.

\* \* \*

(c) The Repo Broker, the Repo Party, the Demand Trade Source or the Locked-In Trade Source referred to in subsection (b) above has submitted to the Corporation by the deadline published by the Corporation unless the deadline is extended by the Corporation, either in the notification described in subsection (b) of this Section **43** or otherwise as permitted by the Corporation, data on the nature of the New Securities Collateral, as specified in the Schedule of Required **and Accepted** Data Submission Items for, **a Substitution for** New Securities Collateral, and any other detail deemed necessary, in the sole determination of the Corporation, to allow the Corporation to process the substitution.

(d) The required substitution requests with all necessary details have been submitted to the Corporation by the deadlines published by the Corporation unless the deadline is extended by the Corporation.

(e) All deliveries of Existing Securities Collateral or New Securities Collateral pursuant to this Rule shall be made in the same manner that Deliver and Receive Obligations of a Netting Member are required to be satisfied pursuant to Rule 12.

(f) **Upon receipt of a request for such substitution where the information regarding the New Securities Collateral has not been provided to the Corporation, a Generic CUSIP Number will be applied to the substitution until the information regarding the New Securities Collateral has been provided. Upon receipt of a request for such substitution and until information regarding the New Securities Collateral is provided to the Corporation for purposes of calculating the Required Fund Deposit of the Repo Party, the Corporation shall**

~~assign to the transaction a Contract Value which is 150 percent of the Contract Value of the original securities collateral. Moreover, Until such time where as the Corporation has been notified of a substitution of the New Securities Collateral to be substituted, but the New Securities Collateral has not yet been reported to the Corporation, the Corporation shall base margining with respect to the New Securities Collateral on the applicable Generic CUSIP Number using the methodology that is used for securities whose volatility is less amenable to statistical analysis set forth in Section 1b of Rule 4.~~

The Corporation shall have no obligation to ensure the acceptability to the Reverse Repo Party of any New Securities Collateral transferred pursuant to this Section, nor shall the Corporation record, authenticate or monitor the number of collateral substitutions performed in accordance with the Right of Substitution.

Section 4 - General Collateral, Forward-Starting Repos

\* \* \*

## **RULE 19 - SPECIAL PROVISIONS FOR BROKERED REPO TRANSACTIONS**

\* \* \*

### Section 2 - Responsibilities of Repo Brokers

If a Repo Broker wishes to submit to the Corporation data on a Brokered Repo Transaction, it must do so through a second **Accountparticipant account**, which the Corporation will assign to it. With respect to a Non-IDB Repo Broker, this separate account shall be its Segregated Repo Account.

A Repo Broker **shall** submit to the Corporation data on a Brokered Repo Transaction only upon written agreement, and compliance, with the following conditions: (a) the Repo Broker's establishment of a separate account, with a separate Fedwire address, at a clearing bank that will be used exclusively for the settlement by the parties to the transaction of the Start Leg, and (b) the Repo Broker's granting of the necessary permissions to allow this account to be subject to review by the Corporation. **The requirements of subsections (a) and (b) above shall not apply to Repo Brokers with Segregated Repo Accounts that elect to settle their Same-Day Settling Trades with the Corporation.**

A Repo Broker that submits to the Corporation data on Brokered Repo Transactions shall be responsible for responding promptly and in good faith to notifications submitted by the Corporation and/or Netting Member counterparties to it of errors with such data, by modifying or canceling and replacing any incorrect data.

### Section 3 - Responsibilities of Netting Members With Respect to Their Brokered Repo Transactions

A Netting Member whose counterparty is a Repo Broker must submit, or have submitted on its behalf, to the Corporation, or to either another Registered Clearing Agency or a Clearing Agency that has been exempted from registration as a Clearing Agency by the SEC, in a timely and accurate manner, data on all of its Brokered Repo Transactions. Notwithstanding anything to the contrary elsewhere in these Rules, if the Netting Member fails, without good cause as determined by the Corporation, to submit data on **their** Brokered Repo Transaction to the Corporation on a timely or accurate basis, the Corporation may treat the Brokered Repo Transaction as compared based on the data submission received from the Repo Broker's counterparty for purposes of assessing all Clearing Fund deposit and Funds-Only Settlement Amount payment consequences of the Transaction, as well as the respective Receive Obligations(s) and/or Deliver Obligations(s) of the parties to the Transaction.

### Section 4- Calculation of Funds-Only Settlement Amounts for Repo Brokers

\* \* \*

Repo Brokers maintaining more than one Segregated Repo Account must aggregate Debit Forward Mark Adjustment Payments and Credit Forward Mark Adjustment Payments in those **Accountsaccounts** for purposes of the Cap. The Corporation will retain the right to assess any and

all Funds-Only Settlement amounts to the Netting Member counterparty of the Repo Broker in accordance with Section 3 above.

\* \* \*

## **RULE 20 - SPECIAL PROVISIONS FOR GCF REPO TRANSACTIONS**

\* \* \*

### Section 3 - Collateral Allocation and Cash Obligations Associated with Collateral Allocation Entitlements

On each Business Day, the Corporation shall establish collateral allocation requirements for each of a Netting Member's GCF Net Funds Borrower Positions and GCF Net Funds Lender Positions such that: (a) for every GCF Net Funds Borrower Position, the Netting Member shall have a Collateral Allocation Obligation equal to such **GCF Net Funds Borrower** Position, and (b) for every GCF Net Funds Lender Position, the Netting Member shall have a Collateral Allocation Entitlement equal to such **GCF Net Funds Lender** Position. Every Collateral Allocation Entitlement and Collateral Allocation Obligation that is established by the Corporation on a particular Business Day shall be netted on the next Business Day with such day's Collateral Allocation Entitlement and/or Collateral Allocation Obligation, within a timeframe for such established by the Corporation (referred to as net-of-net settlement). Collateral Allocation Obligations and cash obligations associated with Collateral Allocation Entitlements must be satisfied by a Netting Member within the timeframes established for such by the Corporation in the Schedule of GCF Repo Timeframes.

If a Netting Member does not satisfy its consequent Collateral Allocation Obligation by the applicable deadline for such **Collateral Allocation Obligation** as set forth in the Schedule of GCF Repo Timeframes, such Netting Member shall be subject to a late fee. In addition, the Corporation shall process Collateral Allocation Obligations that are submitted after the applicable deadline on a good faith basis only. If the Netting Member does not satisfy its consequent Collateral Allocation Obligation, such Netting Member shall be deemed to have failed on such **GCF Net Funds Borrower** Position, the consequence of which shall be that the Member shall not be entitled to receive the funds borrowed, but shall owe interest on such funds amount. If a Net Funds Payor does not satisfy its cash obligations by the applicable deadline set forth in the Schedule of GCF Repo Timeframes, such Net Funds Payor shall be subject to a late fee. If the Net Funds Payor does not satisfy its cash obligation by the close of the Fedwire Funds Service, it shall be subject to an additional late fee and shall be required to satisfy any outstanding cash obligation promptly upon the opening of the Fedwire Funds Service the next Business Day. Failure to do so may result in disciplinary action, including termination of membership.

A Netting Member that has, on a particular Business Day, a Collateral Allocation Obligation, may satisfy such **Collateral Allocation** Obligation by posting with the Corporation, pursuant to these Rules: (i) Comparable Securities, (ii) Other Acceptable Securities, (iii) U.S. Treasury bills, notes, or bonds maturing in a time-frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, such **Collateral Allocation** Obligations must be satisfied with the posting of Comparable Securities and/or cash only), and/or (iv) cash.

If on any Business Day, at the time set forth in the Schedule of GCF Repo Timeframes, a Netting Member's Collateral Allocation Obligation from the previous Business Day is greater than the value of the securities and cash delivered by such Netting Member to satisfy such Collateral

Allocation Obligation, then such Netting Member shall deliver to the Corporation additional (i) Comparable Securities, (ii) Other Acceptable Securities, (iii) U.S. Treasury bills, notes or bonds maturing in a time-frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, such Collateral Allocation Obligations must be satisfied with the posting of Comparable Securities and/or cash only) and/or (iv) cash such that the total value of the securities and cash delivered by such Netting Member to satisfy such Collateral Allocation Obligation is greater than or equal to such Collateral Allocation Obligation. Such additional securities and/or cash must be delivered to the Corporation within the timeframe set forth in the Schedule of GCF Repo Timeframes.

If a Net Funds Payor who is otherwise in good standing with the Corporation does not satisfy its cash obligation or only satisfies a portion of its cash obligation within the timeframe established for such by the Corporation in the Schedule of GCF Repo Timeframes, the Corporation shall proceed as follows:

(i) The Corporation shall first consider whether the GCF Clearing Agent Bank of the Net Funds Payor who failed to satisfy its cash obligation will provide overnight financing and/or whether the Corporation shall use an end-of-day borrowing of Clearing Fund cash in an amount up to the lesser of \$1 billion or 20 percent (20%) of available Clearing Fund Cash (**hereinafter, the** “EOD Clearing Fund Cash”). The Corporation shall not set a priority between the use of EOD Clearing Fund Cash and uncommitted financing from the GCF Clearing Agent Bank. Any cash from these resources shall be applied to the unsettled cash entitlements of the Net Funds Receivers on a pro rata basis. The pro-ration will be based upon the percentage of each Net Fund Receiver’s unsettled obligation versus the total amount of all unsettled cash obligations.

\* \* \*

Notwithstanding anything to the contrary in these Rules, on any particular Business Day, the Corporation, in its sole discretion, may increase the amount of a Netting Member’s Collateral Allocation Obligation by as much as ten percent of such **Collateral Allocation** Obligation.

\* \* \*

**Section 3b – Obligation of Net Funds Receivers to Enter into Overnight Reverse Repurchase Agreements with the Corporation**

If a Net Funds Payor satisfies only a portion of its cash obligation or does not satisfy any of its cash obligation and/or the Corporation is only able to raise a portion of the unsettled cash amount or is not able to raise any of the unsettled cash amount to cover such cash obligation, the Net Funds Receivers at the GCF Clearing Agent Bank of the Net Funds Payor who did not fulfill its obligation (**hereinafter, the** “Affected Netting/CCIT Members”) shall be required to enter into overnight reverse repurchase agreements with the Corporation, as described herein, on the Generic CUSIP Number for which such Net Funds Payor failed to fulfill its cash obligation. The amount of such reverse repurchase agreement shall be at the remaining unsettled amount per Affected Netting/CCIT Member.



The September 1996 Securities Industry and Financial Markets Association Master Repurchase Agreement (without the referenced annexes, other than in the case of any Netting Member that is a Registered Investment Company, Annex VII) is hereby incorporated by reference in the Rules as a master repurchase agreement between the Corporation, as Seller, and each Affected Netting/CCIT Member, as Buyer (hereinafter, the “GCF Repo Allocation Waterfall MRA”); *provided* that, notwithstanding anything else in the GCF Repo Allocation Waterfall MRA:

\* \* \*

Once the Corporation has determined that it will require financing in order to satisfy a cash obligation to a Netting Member or CCIT Member in a Net Funds Receiver Position, it shall notify each Affected Netting/CCIT Member of the principal amount of the relevant Generic CUSIP Number subject to the applicable overnight reverse repurchase transaction (hereinafter, the “Financed Securities”) and the corresponding purchase price (hereinafter, the “Financing Amount”). Upon notification by the Corporation, the Corporation shall initiate such overnight reverse repurchase transactions with Affected Netting/CCIT Members under the terms and conditions of the GCF Repo Allocation Waterfall MRA.

\* \* \*

#### Section 4 - Right of Substitution

On any Business Day (within the timeframes established by the Corporation by notice to all Members), a Netting Member that posted with the Corporation securities in satisfaction of its Collateral Allocation Obligation on the previous Business Day may substitute for any securities so delivered on such day cash, or (i) Comparable Securities, (ii) Other Acceptable Securities, or (iii) U.S. Treasury bills, notes or bonds maturing in a time-frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, substitution may be with Comparable Securities and/or cash). ~~All requests for substitutions must be made by the substitution deadline established by the Corporation and announced to Members by Important Notice from time to time.~~

On any Business Day (within the timeframes established by the Corporation by notice to all Members), a Netting Member that posted with the Corporation cash in satisfaction of its Collateral Allocation Obligation on the previous Business Day may substitute for any securities so delivered on such day (i) U.S. Treasury bills, notes or bonds maturing in a time-frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, substitution may be with Comparable Securities), (ii) Comparable Securities, or (iii) Other Acceptable Securities. ~~All requests for substitutions must be made by the substitution deadline established by the Corporation and announced to Members by Important Notice from time to time.~~

For the avoidance of doubt, Dealers will be able to substitute any previously delivered collateral during the day and until such time as their new Collateral Allocation Obligations for that day are fully satisfied and finalized with the GCF Clearing Agent Bank.

Section 5 - Novation

GCF Net Settlement Positions and resultant Collateral Allocation Entitlements and Collateral Allocation Obligations, either as originally established by the Corporation or as may be adjusted by the Corporation as the result of a modification of data made pursuant to these Rules, shall be fixed at the time the Report of such GCF Net Settlement Positions, Collateral Allocation Entitlements, and Collateral Allocation Obligations is made available by the Corporation to a Netting Member. At that time, all deliver, receive, and related payment and ~~e~~Collateral ~~a~~Allocation ~~o~~Obligations between such Netting Member and the Corporation that were created by the GCF Repo Transactions, ~~N~~novated by the Corporation pursuant to Section 8 of Rule 5, and that comprise a GCF Net Settlement Position or GCF Net Settlement Positions are terminated and replaced by the Collateral Allocation Entitlements and Collateral Allocation Obligations and related payment obligations for such Members that are listed in the Report.

~~Section 6 - Authority of the Corporation to Act on Behalf of a GCF Authorized Inter-Dealer Broker~~

~~If, as the result of a data submission error, a GCF Authorized Inter-Dealer Broker has a GCF Net Settlement Position, the Corporation shall have the authority to borrow cash and/or securities and/or enter into repurchase transactions for cash or securities with a Netting Member or Clearing Agent Bank to fulfill the obligations of such GCF Authorized Inter-Dealer Broker attendant to the incurring of such Position. If the Corporation takes such action, such GCF Authorized Inter-Dealer Broker shall be liable to it for any costs incurred.~~

\* \* \*

## **RULE 21A – WIND-DOWN OF A NETTING MEMBER**

When a Netting Member notifies the Corporation that it intends to wind down its activities, the Corporation may, in its sole discretion, in order to protect itself and its participants, determine that such Member is a “Wind-Down Member”. In that event and, without limiting any other rights of the Corporation under these Rules and Procedures, the Corporation may impose conditions on, or take actions with respect to, the Wind-Down Member as provided below.

As soon as practicable after the Corporation determines that a Member is a Wind-Down Member, the Corporation shall notify the Wind-Down Member, all other Members and the SEC of such determination.

The Corporation may, in its discretion, impose conditions on, or take actions with respect to, the Wind-Down Member as appropriate to mitigate risk the Corporation perceives may be presented by the Wind-Down Member, including but not limited to, the following:

\* \* \*

(v) Agreeing to complete one or more trades to which the Wind-Down Member is a party prior to the time the Corporation otherwise would **Novate** ~~and guarantee the settlement of~~ such trade pursuant to these Rules;

\* \* \*

## RULE 22A – PROCEDURES FOR WHEN THE CORPORATION CEASES TO ACT

\* \* \*

### Section 2 - Action by the Corporation

Except as otherwise may be determined by the Board in any particular case, from and after the time the Corporation ceases to act for a Member, the following shall apply:

\* \* \*

(b) Except as otherwise provided in Rules 17 and 18, all long and short Net Settlement Positions, ~~Fail Net Settlement Positions~~, and Forward Net Settlement Positions of the Member outstanding at the time the Corporation ceases to act for the Member that have been reported by the Corporation to Members pursuant to Rule 11 and Rule 14 shall be closed out by (i) for each Eligible Netting Security with a distinct CUSIP Number, establishing a final Net Settlement Position (hereinafter, the “Final Net Settlement Position”) that shall be equal to the net of all outstanding ~~d~~Deliver Obligations and ~~r~~Receive Obligations of the Member in each Security, including ~~those that arise from Fail Net Settlement Positions~~ Fail Deliver Obligations and Fail Receive Obligations and those that are determined by the Corporation to arise from Forward Net Settlement Positions, and (ii) buying, borrowing, or reversing in or selling, lending or repoing out the Securities deliverable by or to such insolvent Member, and/or borrowing or lending monies, in order to close out the Final Net Settlement Position established for each Security. If a Member also has a Market Professional Cross-Margining Account, any resulting gains upon liquidation of the Member’s proprietary Account shall be used to offset any resulting liquidation loss in the Market Professional Cross-Margining Account. This close-out procedure shall be completed as promptly as practicable after the Corporation has given notice pursuant to Section 1 of this Rule Corporation’s determination to cease to act, unless the Board determines that the immediate close-out of Final Net Settlement Positions in a Ssecurity may be disadvantageous to the Corporation or may promote a disorderly market in that Ssecurity, in which case the Corporation may suspend the operation of this close-out provision until such later time as is determined by the Board, except that the Board may not suspend the operation of such close-out procedure for a period longer than 30 calendar days without the approval of such by the SEC. If, in the aggregate, the close-out of all of the Final Net Settlement Positions established for a Member results in the Corporation incurring any loss or liability, such loss or liability shall be allocated as provided in Rule 4. If, in the aggregate, the close-out of all of the Final Net Settlement Positions established for a Member results in a profit to the Corporation (after the Corporation has fulfilled its obligations under any Cross-Margining Agreements and Limited Cross-Guarantee Agreements), such profit shall be credited to the Member, or to a duly-appointed legal representative of the Member.

Subsequent to the close-out of a Member’s Final Net Settlement Positions, the Corporation shall, in accordance with these Rules, ensure the timely settlement of all Deliver Obligations, Receive Obligations, and related payment obligations, that would have arisen had the Corporation not ceased to act, in accordance with the terms of the transactions that comprise such obligations. Notwithstanding the foregoing, if the Member was a GCF Net Funds Lender and had a Deliver Obligation of GCF-eligible mortgage-backed securities in connection with a GCF Repo Transaction, the Corporation shall be authorized to satisfy the Deliver Obligation with:

(i) Comparable Securities, and/or (ii) U.S. Treasury bills, notes or bonds. In the alternative, the Corporation may, in its sole discretion, permit a GCF Net Funds Borrower to purchase Comparable Securities and/or U.S. Treasury bills, notes, or bonds in return for a cash payment by the Corporation equal to the price paid by the GCF Net Funds Borrower for the Comparable Securities and/or the U.S. Treasury bills, notes, or bonds; provided, however, that if the Corporation in its sole discretion determines that the price paid by the GCF Net Funds Borrower was unreasonably high, the Corporation shall be entitled to pay the GCF Net Funds Borrower a reasonable price (as determined by an independent third party pricing source) for the Comparable Securities and/or the U.S. Treasury bills, notes or bonds.

\* \* \*

## **RULE 22B – CORPORATION DEFAULT**

### Corporation Default

(a) If a “Corporation Default” occurs pursuant to subsection (b) below, all Transactions which have been subject to Novation pursuant to these Rules but have not yet settled and any rights and obligations of the parties thereto shall be immediately terminated. Each relevant Member shall thereupon promptly take such market action as is commercially reasonable under the circumstances to effect a close out of any outstanding positions. Each Member will report the results of its market action to the Board and the Board shall determine a single net amount owed by or to each Member with respect to such positions by applying the ~~close-out~~ **close-out** procedures of Section 2(b)(i) of Rule 22A (interpreted in all such cases as if each Member were a Defaulting Member) and taking into account the loss allocation provisions in Rule 4, to the extent such provisions are otherwise applicable to such Member. The Board shall notify each Member of the net amount so determined and Members who have been notified that they owe an amount to the Corporation shall pay that amount on or prior to the date specified by the Board, subject to any applicable setoff rights. Members who have a net claim against the Corporation shall be entitled to payment thereof along with other Members’ and any other creditors’ claims pursuant to the underlying contracts with respect thereto, these Rules and applicable law. For the avoidance of doubt, nothing herein shall limit the rights of the Corporation upon a Member default (including following a Corporation Default) including under any Cross-Guaranty Agreement with the Mortgage-Backed Securities Division or any other Cross-Guaranty Counterparty.

\* \* \*

**RULE 29 – RELEASE OF CLEARING DATA**

\* \* \*

(f) Notwithstanding anything to the contrary in this Rule, the Corporation may release Clearing Data to ~~the Securities Industry and Financial Markets Association~~SIFMA in connection with ~~its~~ **the Corporation's** collection of fees on behalf of ~~The Securities Industry and Financial Markets Association~~SIFMA pursuant to Rule 26, provided that the Corporation: (1) provides Clearing Data only to the extent necessary to facilitate the collection of fees on behalf of ~~the Securities Industry and Financial Markets Association~~SIFMA, and (2) obtains, in a form and manner required by the Corporation, the agreement of ~~the Securities Industry and Financial Markets Association~~SIFMA to maintain the confidentiality of any Clearing Data provided by the Corporation to ~~it~~ SIFMA.

\* \* \*

**RULE 31 – ~~DISTRIBUTION FACILITIES~~RESERVED**

~~If deemed necessary, the Corporation will establish distribution facilities which may, subject to such regulations as the Corporation may from time to time prescribe, be used by Members for the distribution of papers, documents and other material incidental to the ordinary course of business.~~

~~The Corporation assumes no responsibility whatever for the form or content of any papers, documents or other material (other than items prepared by it) placed in the boxes in its distribution facilities assigned to each Member or otherwise handled by the Corporation; nor does the Corporation assume any responsibility for any improper or unauthorized removal from such boxes or from the Corporation's facilities of any such papers, documents or other material, including items prepared by the Corporation.~~

~~Each Member shall send an authorized representative to the Corporation's distribution facilities at frequent intervals to pick-up documents or material made available to the Member by the Corporation.~~

~~The Corporation's distribution facilities will remain open on Business Days during the hours specified by the Corporation. The Corporation may admit authorized persons holding valid passes issued pursuant to Rule 27 at other hours. This Rule is reserved for future use.~~

\* \* \*



## **RULE 37 – HEARING PROCEDURES**

\* \* \*

### Section 2 - Minor Rule Violations

A hearing requested in connection with a violation of the Rules of the Corporation for which a fine may be assessed against the Interested Person in an amount not to exceed \$5,000 (**hereinafter**, a “Minor Rule Violation”), shall be held before a panel of three officers of the Corporation (**hereinafter**, a “Minor Violation Panel”). The members of the Minor Violation Panel shall select one of their numbers to be the chairman, and the chairman shall be the person in charge of the conduct of the hearing. At the hearing, an officer of the Corporation shall present the case against the Interested Person. The Interested Person shall have an opportunity to be heard and may be represented by counsel. A record shall be kept of the hearing and the costs associated with the hearing may, in the discretion of the Corporation, be charged in whole or in part to the Interested Person if the decision is adverse to the Interested Person. The Minor Violation Panel shall provide the Interested Person with a written statement of its decision no later than 10 business days after the conclusion of the hearing. If the decision of the Minor Violation Panel is adverse to the Interested Person, the Interested Person may request a further hearing under Section 3 of this Rule by filing a written request with the Secretary of the Corporation within five Business Days of receipt of such written statement. The Corporation shall notify the Interested Person of the date, time and place of the hearing at least five business days prior to the hearing. The failure of the Interested Person to submit the written request within the required time period shall be deemed an election to waive the right to any further hearing.

\* \* \*

### Section 3 - Hearings

A hearing on any matter not covered by Section 2 of this rule, or a further hearing requested pursuant to Section 2 shall be before a panel (**hereinafter**, the “Panel”) of three individuals drawn from members of the Board of Directors or their designees. The members of the Panel shall be selected by the Chairman of the Board.

\* \* \*

## **RULE 40 - GENERAL PROVISIONS**

\* \* \*

### **Section 3**

The Corporation may, in its discretion, require Members to provide appropriate staff in their offices during specified hours on non-Business Days when such is deemed necessary by the Corporation to ~~ensure~~**insure** the integrity of its systems and/or for the protection of the Corporation.

\* \* \*

**SCHEDULE OF TIMEFRAMES\***  
(all times are New York City times)

**8:00 p.m.**~~8:00 p.m.~~— Deadline for final input by ~~m~~**M**embers to FICC of trade data.

**2:00 a.m.**~~10:30 p.m. to 2:00 a.m.~~— Time **by during** which FICC's comparison, netting, **and** settlement~~and~~ **margin**ing output is made available to Members.

**7:00 a.m.** **The Corporation begins processing trade data for the current Business Day.**

**7:05 a.m.** **Time by which the Corporation's margining output is made available to Netting Members.**

**9:15 a.m.**~~9:15 a.m.~~— Netting-eligible auction purchases are received by FICC from the Federal Reserve Banks and are immediately redelivered to **Netting M**embers in a **Net** ~~L~~**o**ng ~~p~~**o**sition.

**9:30 a.m.**~~9:30 a.m.~~— Deadline for satisfaction of a Clearing Fund deficiency call.

**10:00 a.m.**~~10:00 a.m.~~— Funds-only settlement debits and credits are executed via the Federal Reserve's National Settlement Service

**11:00 a.m.**~~11:00 a.m.~~— Deadline for submission of repo collateral substitution notifications, after which a late fee will be imposed. Such notification is not deemed to be submitted until it is received by FICC.

**12:00 p.m.**~~12:00 p.m.~~— Netting Member deadline to either (1) initiate request to receive back excess cash or collateral from the A.M. Clearing Fund call, or (2) initiate request to substitute currently held Clearing Fund securities.

**12:00 p.m.**~~12:00 p.m.~~— All open positions and obligations will be recorded at this time and used in the computation of intraday Clearing Fund requirements, and intraday funds-only settlement.

**12:00 p.m.**~~12:00 p.m.~~— First deadline for submission of information regarding New Securities Collateral, after which a late fee will be imposed. Such information is not deemed to be submitted until it is received by FICC.

**12:30 p.m.**~~12:30 p.m.~~— Second deadline for submission of information regarding New Securities Collateral, after which such submissions will be processed by FICC on a good faith

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\* 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.

basis only and a late fee imposed. Such information is not deemed to be submitted until it is received by FICC.

**1:00 p.m.~~1:00 p.m.~~**— Final deadline for submission of information regarding New Securities Collateral, after which the Netting Member must resubmit its information for processing by FICC during the following business day. Such information is not deemed to be submitted until it is received by FICC.

**2:00 p.m.~~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.

**2:15 p.m.~~2:15 p.m.~~**— Netting Member deadline to initiate request in the Clearing Fund Management system (CFM) to receive back excess Clearing Fund cash or collateral from intraday call.

**2:45 p.m.~~2:45 p.m.~~**— Deadline for satisfaction of a Clearing Fund deficiency call (P.M. Clearing Fund call).

**4:00 p.m.~~4:00 p.m.~~**— Brokered Repo Transactions submitted prior to 4:00 p.m. will be processed as Demand Trades. After 4:00 p.m. such trades will be processed for Bilateral Comparison.

**4:30 p.m.~~4:30 p.m.~~**— Intraday funds-only settlement debits and credits are executed via the FRB's National Settlement Service ~~for Netting Members~~.

**4:30 p.m.~~4:30 p.m.~~**— Deadline for submission of DK Notices by Repo Parties to Brokered Repo Transactions submitted on a Demand basis prior to 4:00 p.m.

### SCHEDULE OF GCF REPO TIMEFRAMES\*

(all times are New York City times)

- 7:00 a.m.** ~~FICC begins to accept from GCF-Authorized Inter-Dealer Brokers data on GCF Repo Transactions—GCF-Authorized Inter-Dealer Brokers must submit data on a GCF Repo Transaction that they are a party to within five minutes of executions of such transaction. Netting Members must begin affirming or cancelling GCF Repo Transactions upon receipt of data on such GCF Repo Transactions from the Corporation.~~
- 9:00 a.m.** Deadline for Netting Members to deliver additional securities or cash such that value of such securities and cash equals or exceeds Collateral Allocation Obligations from previous Business Day.
- ~~**10:00 a.m.** Netting Members must begin affirming or disaffirming GCF Repo Transactions within one half hour of receipt of data on such transactions from FICC~~
- ~~**10:30 a.m.** Deadline for dealer affirmation or disaffirmation of all GCF Repo Transactions that they are a party to that are executed prior to 10 a.m.~~
- ~~**1:00 p.m.** For GCF Repo Transactions executed after 1:00 p.m., Netting Members must affirm or disaffirm GCF Repo Transactions within ten minutes of their receipt of data on such transactions from FICC.~~
- 3:00 p.m.** Cutoff for GCF Repo Transaction data submission from GCF-Authorized Inter-Dealer Brokers to FICC including dealer trade affirmation or ~~disaffirmation~~cancellation – all unaffirmed trades automatically affirmed by FICC.

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\* 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.

### SCHEDULE OF REQUIRED MATCH DATA

These Required Match Data items are applicable to all Transactiontransactions, including Repo Transactions, except as otherwise noted below:

- (1) Contra Member identifying ~~information~~number

\* \* \*

- (6) Settlement date - must contain a valid, settlement date

\* \* \*

This schedule does not apply to Netting-Eligible Auction Purchases, CCIT Transactions and GCF Repo Transactions. Also, notwithstanding the above, the requirements of this schedule are superseded by the provisions of Rule 10 to the extent that they are inconsistent with that Rule.

\* \* \*

## SCHEDULE OF REQUIRED DATA SUBMISSION ITEMS

In addition to the data items listed in the Schedule of Required Match Data, the following data items are required, as indicated below, to be submitted by Members when they submit trade data to the Corporation:

\* \* \*

- (6) Pricing method - for buy/sell transactions, this field must be submitted with either a "D" (discount), "P" (price), or "Y" (yield), while for Repo Transactions, this field must be submitted with an "R" (rate)
- (7) Trade date – **the date on which the trade was executed must be submitted in this field**

This schedule does not apply to Netting Eligible Auction Purchases and GCF Repo Transactions, and items (1) and (2) above are not required for Sponsored Member Trades.

**SCHEDULE OF REQUIRED AND ACCEPTED DATA SUBMISSION ITEMS  
FOR A SUBSTITUTION OF EXISTING SECURITIES COLLATERAL**

In addition to the data items required in the Schedules of Required Match Data and Required Data Submission Items, the following data items are required to be received by the Corporation as regards a Repo Transaction in order for the Corporation to process a substitution:

- (1) the Specific CUSIP Number or Generic CUSIP Number for the Existing Securities Collateral;
- (2) the par amount;
- (3) the principal value;
- (4) Scheduled Settlement Date for the Start Leg of the Repo Transaction and Contract Repo Rate;
- (5) for Brokered Repo Transactions, the reverse repo rate; and
- (6) counterparty to the Repo Transaction.

This schedule does not apply to Netting-Eligible Auction Purchases, GCF Repo Transactions, CCIT Transactions and Sponsored GC Trades.



**SCHEDULE OF REQUIRED AND ACCEPTED DATA SUBMISSION ITEMS  
FOR A SUBSTITUTION FOR NEW SECURITIES COLLATERAL**

In addition to the data items required in the Schedules of Required Match Data and Required Data Submission Items, the following data items are required to be received by the Corporation as regards a Repo Transaction in order for **it the Corporation** to process a substitution:

- (1) the Specific CUSIP Number **or Generic CUSIP Number** for the New Securities Collateral;
- (2) the par amount;
- (3) the principal value;
- (4) Scheduled Settlement Date for the Start Leg of the **Repo** Transaction and Contract Repo Rate;
- (5) for Brokered Repo Transactions, the reverse repo rate; and
- (6) counterparty to the **Repo** Transaction.

This schedule does not apply to Netting-Eligible Auction Purchases, GCF Repo Transactions, **CCIT Transactions** and Sponsored GC Trades.

## SCHEDULE OF REQUIRED AND OTHER DATA SUBMISSION ITEMS FOR GCF REPO TRANSACTIONS

The following data items are required to be received by the Corporation from a GCF-Authorized Inter-Dealer Broker as regards a GCF Repo Transaction in order for such **GCF Repo** Transaction to be compared by the Corporation:

**TradeBroker** Reference Number – The GCF-Authorized Inter-Dealer Broker’s unique reference number for the GCF Repo Transaction.

\* \* \*

Broker’s Reverse **ParticipantMember** ID – **ParticipantMember identifying** number of the GCF Counterparty from whom the Broker is reversing in securities.

Broker’s Repo **ParticipantMember** ID – **ParticipantMember identifying** number of the GCF Counterparty to whom the Broker is repoing out securities.

CUSIP – The nine-digit Generic CUSIP Number.

The following fields will be automatically populated by the Corporation with default data, which may be overridden by the GCF-Authorized Inter-Dealer Broker as required:

Trade Date – The current date will automatically populate this field.

Start Date – The current date will automatically populate this field.

~~**Role – Reserved for future use.**~~

~~**Transaction – Reserved for future use.**~~

The following fields will be automatically calculated and/or populated by the Corporation, and cannot be overridden by the GCF-Authorized Inter-Dealer Broker:

GSD TID – The Corporation’s unique transaction identifier, automatically assigned to a new GCF Repo Transaction by the Corporation.

Final Money – The Corporation will automatically calculate the **EndClose** Leg settlement money for the GCF Repo Transaction using start money, rate and term (based on start date and end date).

Security Description – Automatically displayed by the Corporation based upon Generic CUSIP Number submitted.

Broker’s Reverse **ParticipantMember** Name – Automatically displayed by the Corporation based upon the identification number entered in the “Broker’s Reverse **ParticipantMember** ID” field.

Broker's Repo **ParticipantMember** Name – Automatically displayed by the Corporation based upon the ID entered in the “Broker's Repo **ParticipantMember** ID” field.

\* \* \*

## SCHEDULE OF MONEY TOLERANCES

The following Money Tolerances have been established by the Corporation:

- (1) Settlement amount - \$0.10 per \$1 million for **R**repo **T**ransactions (applicable in Real Time) Notwithstanding this tolerance, any money difference of \$1.00 or less in the settlement amount of a trade will not prevent the trade from being matched.

Settlement amount - \$2 per \$1 million for buy-/sell transactions (applicable in Real Time)

- (2) Settlement amount ~~(in connection with the Corporation's presumption of a match of data pursuant to Rule 10)~~ **does not apply to Repo Transactions** - \$40 per \$1 million **for buy-sell transactions (in connection with the Corporation's presumption of a match of data pursuant to Rule 10)**

- (3) Start amount (applies only to Repo Transactions) - \$1 per Repo Transaction

\* \* \*

## FEE STRUCTURE

\* \* \*

### I. TRANSACTION FEES

\* \* \*

#### C. Modifications and Cancellations

The charge to a Member for the entry of a request to modify or cancel either a side of a buy/sell transaction or a Repo Transaction, other than a GCF Repo Transaction or a CCIT Transaction, is \$0.25 per such request. ~~The charge to a Member for the entry of a request by such Member to modify or cancel a side of a GCF Repo Transaction or a CCIT Transaction is \$0.05 per 50 million of par value.~~

\* \* \*

#### G. Locked-In Trade Data

\* \* \*

The charge to the GCF Counterparty to the GCF-Authorized Inter-Dealer Broker for the processing and reporting by the Corporation of a GCF Repo Transaction or a CCIT Transaction entered into by the Member, or entered into by a Non-Member that the Member is clearing for, is a one-time recording fee of \$0.07 per million gross dollar amount of such GCF Repo Transaction or CCIT Transaction (with a minimum charge of \$2.50). The charge to the GCF-Authorized Inter-Dealer Broker for the processing and reporting by the Corporation of a GCF Repo Transaction is a one-time recording fee of \$0.025 per million gross dollar amount of such GCF Repo Transaction (with a minimum charge of \$1.25).

#### H. CCIT Transactions Submitted for Bilateral Comparison

The charge to Netting Members and CCIT Members submitting CCIT Transactions on a bilateral basis (and not on a Locked-In Trade basis) for the processing and reporting by the Corporation of a CCIT Transaction is a one-time recording fee of \$0.07 per million gross dollar amount of such CCIT Transaction (with a minimum charge of \$2.50).

\* \* \*

### III. COMMUNICATION FEES [RESERVED]

#### ~~Failure to migrate from legacy networks to SMART and/or SFTI. Cost\*~~

~~\* The entire cost of supporting the legacy network connections will be allocated among remaining users pro rata.~~

IV. OTHER CHARGES (in addition to the transaction fee)

\* \* \*

B. Clearance Charges

\* \* \*

4. The Corporation will pass-through to Netting Members the following clearing banks' fees and charges that are incurred by the Corporation for the services that the Corporation performs in connection with such Members' activity.

(a) Actual fees charged by ~~The Bank of New York Mellon~~ (“~~BNY~~”) the Corporation's Clearing Agent Bank for the settlement of each Deliver Obligation and each Receive Obligation.

(b) Actual fees charged by the Fedwire Securities Service fees for the settlement of treasury securities and agency securities, as applicable.

(c) ~~BNY~~The Corporation's GCF Clearing Agent Bank fee on each GCF Repo Service Deliver Obligation that FICC creates from ~~its BNY~~the Corporation's GCF Clearing Agent Bank account, ~~inclusive of inter-bank~~.

When this fee is assessed on FICC's GCF Repo Service Deliver Obligations that are created versus Netting Members, this fee will be allocated to Dealer Accounts at ~~BNY~~the Corporation's GCF Clearing Agent Bank as follows:

(i) A pass-through fee is calculated as 1bp per annum on a dollar amount of such Netting Member's GCF Repo Service Receive Obligation from FICC in each Generic CUSIP Number.

When this fee is assessed on FICC's GCF Repo Service Deliver Obligations at ~~BNY~~the Corporation's GCF Clearing Agent Bank that are created versus a CCIT Member at ~~BNY~~the Corporation's GCF Clearing Agent Bank, the fee is calculated as 1bp per annum on a dollar amount of the underlying CCIT Transactions and the fee will be passed through to the Dealer Account at ~~BNY~~the Corporation's GCF Clearing Agent Bank of the Netting Member that is the Repo Party to such CCIT Transactions.

(d) ~~BNY~~The Corporation's Clearing Agent Bank fees for daylight overdrafts on ~~s~~Securities s~~Settlement~~ ~~o~~Obligations.

This pass-through fee will be charged to Dealer Accounts at ~~BNY~~the Corporation's Clearing Agent Bank and will be

calculated on a percentage of the total of all such costs incurred by FICC. This percentage is calculated on a monthly basis as follows:

(Total dollar value of Deliver and Receive Obligations of each Netting Member at ~~BNY~~the Corporation's Clearing Agent Bank)

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(Total dollar value of Deliver and Receive Obligations in all Dealer Accounts at ~~BNY~~the Corporation's Clearing Agent Bank)

All fees and charges will be reflected on each Member's billing statement.

\* \* \*

#### V. MINIMUM MONTHLY FEE

Each Comparison-Only Member and each Netting Member shall, regardless of the level of its activity, pay a minimum monthly fee of \$2,500 on each of its ~~Account~~accounts, which shall not apply to CCIT Members. The minimum monthly fee for an ~~Account~~account will not apply if the total monthly fees incurred by the ~~Account~~account pursuant to Sections I, II, and IV of this Fee Structure exceed \$2,500.

\* \* \*

#### VII. SPONSORING MEMBERS

A Sponsoring Member shall be liable for fees and charges arising from Sponsored Member Trades the data on which it, or its Sponsored Member(s), has submitted to the Corporation. A Sponsoring Member shall also be subject to the minimum monthly fee set forth in Section V of this Fee Structure; provided, that a Sponsoring Member Omnibus Account shall be considered a single ~~Account~~account for purposes of calculating such fee, regardless of the number of Sponsored Members whose trading activity is conducted through such ~~Account~~account. A Sponsoring Member shall also be liable to the Corporation for the Sponsored GC Pre-Payment Assessment to the extent it participates in the Sponsored GC Service. The Corporation's books and records shall reflect the Sponsored GC Pre-Payment Assessment as a credit to such Sponsoring Member until expiration.

In addition, any Sponsoring Member that elects to be charged the Sponsored GC Pre-Payment Assessment between November 2020 and February 2021 shall receive an additional \$25,000 credit toward its use of the Sponsored GC Service (hereinafter, the "Additional Sponsored GC Credit"), which shall be credited by the Corporation against the Sponsoring Member's fees for use of the Sponsored GC Service until the earlier of (i) the Additional Sponsored GC Credit being completely depleted and (ii) thirty-six (36) months after the Sponsoring Member onboards into the Sponsored GC Service. The Corporation's books and records shall reflect the Additional Sponsored GC Credit as a credit to such Sponsoring Member until expiration.

In addition, to the extent a Sponsoring Member elects to withdraw from the Sponsored GC Service prior to the expiration of its Sponsored GC Pre-Payment Assessment, it shall be entitled

to a return of any unused portion of such Sponsored GC Pre-Payment Assessment from the Corporation; provided that, for the avoidance of doubt, such Sponsoring Member shall be liable for the Sponsored GC Pre-Payment Assessment to the extent that it ever elects to participate in the Sponsored GC Service in the future.

\* \* \*

IX. LATE FEES

\* \* \*

Late Fee Related to GCF Repo Transactions

On any particular business day, if a Netting Member does not make the required collateral allocation by the later of 4:30 p.m. (New York time) or 1 hour after the actual close of Fedwire Securities Service reversals, the Netting Member shall be subject to a late fee of \$500.00, unless the Corporation determines, in its sole discretion, that the failure to meet this timeframe is not primarily the fault of the Netting Member. This determination would be made by the Corporation based on input from the GCF ~~Repo~~-Clearing Agent Bank and the Netting Member.

\* \* \*

On any particular business day, if a Net Funds Payor does not make the required payment of cash by the close of the Fedwire Funds Service, the Net Funds Payor shall be subject to a late fee as shown on the table below, unless the Corporation determines that the failure to meet this timeframe is not primarily the fault of the Net Funds Payor. This determination would be made by the Corporation based on input from the GCF ~~Repo~~-Clearing Agent Bank and the Net Funds Payor.

\* \* \*

X. ADMINISTRATIVE FEES

~~On any particular Business Day, a Repo Broker shall be assessed an administrative fee of \$50 for each instance where the Corporation determines to finance a Debit Forward Mark Adjustment Payment in excess of the Cap, as set forth in Section 4 of Rule 19. Such administrative fee shall be in addition to any costs incurred by the Corporation in arranging the financing for which the Repo Broker maintains responsibility and must reimburse the Corporation pursuant to that Section.~~

The Corporation will charge network fees related to SMART connectivity.

\* \* \*

XIV. NON-U.S. MEMBERSHIP APPLICANT FOREIGN LEGAL OPINION FEE

(a) For the initial applicant (hereinafter, the “Initial Applicant”) organized in a given non-U.S. jurisdiction (hereinafter, the “Jurisdiction of Organization”) to apply for membership, if the applicant does not otherwise terminate its application in accordance with (c) below: The



lesser of (i) a maximum estimated charge (**hereinafter, the** “Maximum Estimated Charge”) and (ii) the actual costs charged to the Corporation by outside counsel providing a legal opinion in form and substance satisfactory to the Corporation regarding the laws of the Jurisdiction of Organization.

(b) For each subsequent applicant organized in the applicable Jurisdiction of Organization (**hereinafter, the** “Subsequent Non-U.S. Applicant”), if the Subsequent Non-U.S. Applicant does not otherwise terminate its application in accordance with (c) below: an amount equal to the fee charged to the Initial Applicant from the Jurisdiction of Organization, as determined in accordance with (a) above.

\* \* \*

~~DESIGNATED LOCKED-IN TRADE SOURCES~~

~~Federal Reserve Banks, as fiscal agents of the United States~~

~~GCF-Authorized Inter-Dealer Brokers (for GCF Repo Transactions)~~

~~The Treasury Department~~

\* \* \*

## 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 Banks 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>

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<sup>1</sup> Federal Reserve Banks Operating Circular 12—(~~Multilateral Settlement~~), as promulgated from time to time by the FRB Effective June 30, 2016—(hereinafter, “Operating Circular 12”), available at <https://www.frbservices.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 defined terms set forth in Operating Circular 12. See also Federal Reserve Banks Operating Circular 1 (Account Relationships), Effective February 1, 2013, available at <https://www.frbservices.org>.~~

<sup>3</sup> See id.

<sup>4</sup> See id. See also definition of Master Account in Federal Reserve Banks Operating Circular 1, as promulgated from time to time by the FRB (hereinafter, “Operating Circular 1”), available at <https://www.frbservices.org>.

<sup>5</sup> See Section 5.4 of description of posting debit balances set forth in Operating Circular 12.

<sup>6</sup> See Section 5.6 of description of posting credit balances set forth in Operating Circular 12.

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.

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

\* \* \*

(c) *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>

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<sup>7</sup> Federal Reserve Banks Operating Circular 7 (~~“Book Entry Securities Account Maintenance and Transfer Services~~), as promulgated from time to time by the FRB Effective October 29, 2017 (hereinafter, “Operating Circular 7”), available at <https://www.frbservices.org>.

<sup>8</sup> See defined terms set forth in For purposes of Operating Circular 7. See also definition of Master Account in Operating Circular 1, available at <https://www.frbservices.org>, 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~~

Operating Circular 7 ~~states~~provides 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 both the Sender’s and Receiver’s Securities Accounts and, in case of Transfer Against Payment (as defined in Operating Circular 7), 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.

\* \* \*

**February 6, 2023**

\* \* \*

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~~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.~~

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

**FIXED INCOME CLEARING CORPORATION**  
**MORTGAGE-BACKED SECURITIES DIVISION**  
**EPN RULES**

ARTICLE V

MISCELLANEOUS

\* \* \*

Rule 13. ~~Offices of the Corporation~~ RESERVED FOR FUTURE USE

~~Reports shall be available to, and business with the Corporation shall be transacted by, EPN Users at the Corporation's offices in New York, New York and also at such other locations as the Corporation from time to time may designate. Each EPN User shall make arrangement satisfactory to the Corporation for receipt of reports and the transaction of other business with the Corporation at one or more of such locations.~~

\* \* \*

**FIXED INCOME CLEARING CORPORATION  
MORTGAGE-BACKED SECURITIES DIVISION (“MBSD”)  
EPN SERVICE SCHEDULE OF CHARGES**

\* \* \*

**~~COMMUNICATION FEES~~ ADMINISTRATIVE FEES**

**Failure to migrate from legacy \_\_\_\_\_ Cost\*  
networks to SMART and/or SFTL.**

~~\* The entire cost of supporting the legacy network connections will be allocated among remaining users pro rata.~~

**The Corporation will charge network fees related to SMART connectivity.**

\* \* \*



**FIXED INCOME CLEARING CORPORATION**  
**MORTGAGE-BACKED SECURITIES DIVISION**  
**CLEARING RULES**

RULE 1 – DEFINITIONS

\* \* \*

**Indemnified Person**

**The term “Indemnified Person” shall have the meaning given to that term in Section 8 of Rule 3.**

\* \* \*

**Settlement Agent**

The term “Settlement Agent” means the bank or trust company that the Corporation may, from time to time, designate to act as its agent for purposes of interfacing with NSS for Cash Settlement pursuant to these Rules **(and as referenced in the Federal Reserve Banks Operating Circular 12).**

\* \* \*

RULE 2A – INITIAL MEMBERSHIP REQUIREMENTS

Section 1 - Eligibility for Membership: Clearing Members

\* \* \*

If any Person in categories (a) through (j) above is a Foreign Person, then it shall be eligible to become a Clearing Member if the Corporation, in its sole discretion, has determined that such Person maintains a presence in the United States, either directly or through a suitable agent, that both has available individuals fluent in English who are knowledgeable in the Foreign Person's business and can assist the Corporation's representatives as necessary, and ensures that the Foreign Person will be able to meet its data submission, settlement, and other obligations to the Corporation as a Member in a timely manner. The Person applying to become a Foreign Member must represent and certify to the Corporation that it is in compliance with the financial reporting and responsibility standards of its home country and, if it is a regulated entity, that it is regulated in its home country by a financial regulatory authority in the areas of maintenance of relevant books and records, regular inspections and examinations, and minimum capital standards, and make such other representations, certifications or assurances as the Corporation deems necessary to address jurisdictional and tax concerns. Without limiting the generality of the foregoing, the Corporation shall require each applicant that shall be an FFI Member to certify and periodically recertify to the Corporation that it is FATCA Compliant under such procedures as are set forth under FATCA, unless such requirements have been explicitly waived in writing by the Corporation, provided, however, that no such waiver will be issued if it shall cause the Corporation to be obligated to withhold under FATCA on gross proceeds from the sale or other disposition of any property. In addition, as part of its membership application, each applicant that shall be an FFI Member ~~must agree that it shall~~agrees to indemnify ~~the Corporation~~each Indemnified Person for any loss, liability or expense sustained by the ~~Corporation~~Indemnified Person as a result of ~~its~~ the applicant failing to be FATCA Compliant. The Corporation shall determine, in its sole discretion, which category of membership set forth above the Foreign Person shall be for purposes of these Rules. Except as with respect to FATCA, a Bank Clearing Member that participates in the Corporation through its U.S. branch or agency shall not be deemed a Foreign Member for purposes of the Corporation's Rules and procedures, unless otherwise stated by the Corporation.

\* \* \*

RULE 3 - ONGOING MEMBERSHIP REQUIREMENTS

\* \* \*

Section 8 - Compliance with Rules, Procedures and Applicable Laws

\* \* \*

(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 ~~Corporation~~ **Indemnified Person** as a result of such FFI Member failing to be FATCA Compliant.

\* \* \*

RULE 5 – TRADE COMPARISON

\* \* \*

Section 4 - Trade Input

\* \* \*

Each Clearing Member shall use its best efforts to ~~ensure~~**insure** that all trade input submitted to the Corporation is accurate in all respects. The Corporation shall have no responsibility for the inaccuracy of any information submitted by any Clearing Member to the Corporation or to any other Clearing Member or for the failure of any Clearing Member to timely submit any information required to be submitted to the Corporation or to any other Clearing Member.

\* \* \*

RULE 11 – CASH SETTLEMENT

\* \* \*

Section 9 – Cash Settlement

\* \* \*

(g) DTC provides the Corporation with services with respect to the Corporation's Cash Settlement process as described herein and in accordance with the Rules. DTC will act as Settlement Agent ~~(as that term is used in the relevant FRB's Operating Circular 12 and in these Rules)~~ for the Corporation and for the Corporation's Cash Settling Banks with respect to the FRB's NSS, as the means of effecting Cash Settlement.

\* \* \*

RULE 31 - GENERAL PROVISIONS

\* \* \*

Section 3

The Corporation may, in its discretion, require Members to provide appropriate staff in their offices during specified hours on non-Business Days when such is deemed necessary by the Corporation to ~~ensure~~insure the integrity of its systems and/or for the protection of the Corporation.

\* \* \*

**FICC MORTGAGE-BACKED SECURITIES DIVISION  
SCHEDULE OF CHARGES BROKER ACCOUNT GROUP**

**I. FEES**

\* \* \*

**~~Communication Fees~~ Administrative Fees**

**~~Failure to migrate from legacy~~ ~~Cost\*~~  
~~networks to SMART and/or SFTI~~**

**~~\* The entire cost of supporting the legacy network connections will be allocated among remaining users pro rata.~~**

**The Corporation will charge network fees related to SMART connectivity.**

\* \* \*



**FICC MORTGAGE-BACKED SECURITIES DIVISION  
SCHEDULE OF CHARGES DEALER ACCOUNT GROUP**

**I. FEES**

\* \* \*

**~~Communication Fees~~ Administrative Fees**

**~~Failure to migrate from legacy~~ ~~Cost\*~~  
~~networks to SMART and/or SFTI~~**

**~~\* The entire cost of supporting the legacy network connections will be allocated among remaining users pro rata.~~**

**The Corporation will charge network fees related to SMART connectivity.**

\* \* \*

## INTERPRETIVE GUIDANCE WITH RESPECT TO SETTLEMENT FINALITY

### 1. *Interpretive Guidance With Respect to Settlement Finality – Cash Settlement*

The point of finality for Cash Settlement by the Corporation is defined by the Federal Reserve Banks Operating Circular 12—(~~“Operating Circular 12”~~),<sup>1</sup> which governs NSS processing by the FRB. The Corporation and each Member’s Cash Settling Bank is a “Settler” and together are in a “Settlement Arrangement” (each term as defined in Operating Circular 12) for purposes of Cash 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>

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<sup>1</sup> ~~Federal Reserve Bank Operating Circular 12 (Multilateral Settlement), As promulgated from time to time by the FRB Effective June 30, 2016 (“Operating Circular 12”), available at <https://www.frbservices.org> (hereinafter, “Operating Circular 12”).~~

<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 defined terms set forth in Operating Circular 12. See also Federal Reserve Banks Operating Circular 1 (Account Relationships), Effective February 1, 2013, available at <https://www.frbservices.org>.~~

<sup>3</sup> See *id.*

<sup>4</sup> See *id.* See also definition of “Master Account” in Federal Reserve Banks Operating Circular 1, as promulgated from time to time by the FRB, available at <https://www.frbservices.org> (hereinafter, “Operating Circular 1”).

<sup>5</sup> See Section 5.4 of description of posting debit balances set forth in Operating Circular 12.

<sup>6</sup> See Section 5.6 of description of posting credit balances set forth in Operating Circular 12.

Therefore, the point of finality with respect to Cash Settlement by the Corporation is the point at which each of the Master Accounts for the Corporation and the Cash 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.

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

\* \* \*

(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>1</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>2</sup> Operating Circular 7 ~~states~~provides that ~~“[u]nless a~~

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<sup>1</sup> Federal Reserve Banks Operating Circular 7 (~~Book Entry Securities Account Maintenance and Transfer Services~~), as promulgated from time to time by the FRB Effective October 29, 2017 (“Operating Circular 7”), available at <https://www.frbservices.org> (hereinafter, “Operating Circular 7”).

<sup>2</sup> See defined terms set forth in For purposes of Operating Circular 7 and Operating Circular 1. 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~~

~~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 Accounts and, in case of Transfer Against Payment, their corresponding Master Accounts.<sup>21</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.

\* \* \*

**February 13, 2020**

\* \* \*

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~~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.~~

<sup>1</sup> See ~~description of finality set forth in~~ Operating Circular 7, ~~Section 9.1.1.~~ Capitalized terms are defined as set forth in Operating Circular 7. ~~See id.~~