

**Bolded, underlined text** indicates added language

**~~Bolded, strikethrough text~~** indicates deleted language

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

RULE 1 - DEFINITIONS

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

\* \* \* \*

**Coverage Charge**

~~The term “Coverage Charge” means with respect to a Member’s Required Fund Deposit, an additional charge to bring the Member’s coverage to a targeted confidence level.~~

\* \* \* \*

**VaR Charge**

The term “VaR Charge” means, with respect to each margin portfolio, a calculation of the volatility of specified net unsettled positions of a Member, as of the time of such calculation (with respect to the specified net unsettled positions as of the time of such calculation). Such volatility calculations shall be made in accordance with any generally accepted portfolio volatility model, including, but not limited to, any margining formula employed by any other clearing agency registered under Section 17A of the Exchange Act. Such calculation shall be made utilizing such assumptions (including confidence levels) and based on such historical data as the Corporation deems reasonable, and shall cover such range of historical volatility as the Corporation from time to time deems appropriate. To the extent that the primary source of such historical data becomes unavailable for an extended period of time, the Corporation shall utilize an alternative volatility calculation. If the volatility calculation is lower than 5 basis points of the market value of a Clearing Member’s gross unsettled positions (the “VaR Floor”) then the VaR Floor will be utilized as such Clearing Member’s VaR Charge.

\* \* \* \*

RULE 4—CLEARING FUND AND LOSS ALLOCATION

\* \* \* \*

Section 2 —Required Fund Deposit

\* \* \* \*

(c) Each Business Day, each Clearing 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 End of Day Charge; plus the sum of the following:

(i) the VaR Charge

plus

~~(ii) the Coverage Charge~~

~~plus~~

~~(iii) the amount of the Deterministic Risk Component~~

~~plus~~

~~(iv) a margin requirement differential which considers intra-day portfolio variations and potential for a late margin deficit satisfaction or for a failure to satisfy a margin deficit~~

plus

~~(iiiiv)~~ an additional payment (“special charge”) from such Member as determined by the Corporation from time to time in view of market conditions and other financial and operational capabilities of the Member. The Corporation shall make any such determination based on such factors as the Corporation determines to be appropriate from time to time

plus

~~(viiv)~~ in the case of Clearing Member with backtesting deficiencies, the Backtesting Charge, if applicable

plus

~~(viiv)~~ the Holiday Charge, if applicable, on the Business Day prior to a Holiday.

The Corporation shall have the discretion not to apply the VaR calculation(s) to net unsettled positions in classes of securities where volatility is less amenable to statistical analysis. In lieu of such calculations the component required with respect to such Transactions shall instead be determined based on a ~~historic index volatility model~~ haircut method.

The Corporation shall take into account the VaR confidence level applicable to the Member in calculating the VaR Charge. The assumptions used in the VaR model will be set forth in the Corporation’s procedures.

The Clearing Fund requirement of an Unregistered Investment Pool Clearing Member shall be no less than \$1 million and the targeted confidence level assumption used for calculating VaR Charge shall be set at a minimum of 99.5%, which is half a percentage higher than the

target assumption of the Corporation. The targeted confidence level assumption used for calculating VaR Charge for non-Unregistered Investment Pools shall be set at a minimum of 99%.

Once applicable minimum Clearing Fund amounts have been applied, the Corporation shall apply any applicable additional payments, charges and premiums set forth in these Rules.

A Clearing Member's Required Fund Deposit shall be reported daily, and payment shall be due by the time specified in the Corporation's procedures; however, such payment shall not be due on a given day if: (a) the difference between the amount of a Member's Required Fund Deposit as reported on that day and the amount then on deposit towards satisfaction thereof is less than both: (i) \$250,000, and (ii) 25 percent of the amount then on deposit from the Clearing Member; and (b) the Member is not on the Watch List.

The Corporation shall have the right to adjust any components of the calculation of a Member's Required Fund Deposit as set forth in this Section 2. The Corporation shall apply Clearing Fund requirements to each Clearing Member within each membership type on a consistent and non-discriminatory basis.

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# **Methodology and Model Operations Document**

## **MBSD Quantitative Risk Model**

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