

Bold and underlined text indicates proposed added language

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

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

RULE 1 – DEFINITIONS

Minimum Charge

The term “Minimum Charge” means the minimum amount of **required deposit to the Clearing Fund with respect to each margin portfolio of a each** Clearing Member’s ~~Required Fund Deposit, as applicable, before application of special premiums and amounts applicable under these Rules.~~

Required Fund Deposit

The term “Required Fund Deposit” means the amount **of each a** Clearing Member’s **is** required ~~to~~ deposit to the Clearing Fund **as determined by the Corporation** pursuant to **Section 2 of Rule 4 and other applicable Rules.**

RULE 4 – CLEARING FUND AND LOSS ALLOCATION

Section 2 – Required Fund Deposit Requirements

(b) 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 sum of the~~ following:

(i) **with respect to each margin portfolio of the Clearing Member, an amount equal to the greater of:**

(A) the Minimum Charge and

(B) the sum of the VaR Charge **and plus (ii)** the amount equal to six days of interest for any Fail in the margin portfolio where the Clearing Member is a seller,

plus

(ii) with respect to each Clearing Member, the sum of the following:

(iiiA) 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

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

plus

(vC) the Holiday Charge, if applicable, on the Business Day prior to a Holiday,

plus

(viD) an Intraday Mark-to-Market Charge, if applicable,

plus

(viiE) an Intraday VaR Charge, if applicable, **and**

plus

(viiiF) a Margin Liquidity Adjustment Charge, if applicable.

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 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 Minimum Charge for each margin portfolio of a Clearing Member shall be no less than \$100,000. The Minimum Charge for each margin portfolio 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 Pool Clearing Member shall be set at a minimum of 99%.

Once applicable ~~Minimum C~~charges **described in this Rule 4** have been applied **to a Clearing Member**, the Corporation shall apply any applicable additional payments, charges and premiums set forth in these Rules.
