Bolded, underlined text indicates added language.

Bolded, strikethrough text indicates deleted language.

FIXED INCOME CLEARING CORPORATION

GOVERNMENT SECURITIES DIVISION RULEBOOK
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.

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Blackout Period

The term “Blackout Period” means, with respect to the Blackout Period Exposure Charge, the period between the last business day of the prior month and the date during the current month upon which a government-sponsored entity that issues mortgage-backed securities publishes its updated Pool Factors.

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Blackout Period Exposure Charge

The term “Blackout Period Exposure Charge” means an additional charge that may be added to a GCF Counterparty’s VaR Charge to mitigate exposures to the Corporation that may arise due to potential overvaluation of mortgage-backed securities pledged to collateralize GCF Repo Transactions during the Blackout Period. The Blackout Period Exposure Charge shall apply to GCF Counterparties that have 12-month trailing backtesting coverage below 99 percent where two or more historical deficiencies are determined by the Corporation to have been caused by overvaluation of mortgage-backed securities pledged as collateral during the Blackout Period. The Blackout Period Exposure Charge shall generally be equal to the midpoint between the GCF Counterparty’s largest two deficiencies occurring during the Blackout Period. The Corporation may in its discretion adjust or waive such charge if the Corporation determines that circumstances particular to the GCF Counterparty’s use of mortgage-backed security pledges or to the mortgage-backed securities so pledged warrant a different approach to determining or applying such charge in a manner consistent with achieving the Corporation’s backtesting coverage target. A GCF Counterparty that is subject to the charge may notify the Corporation in writing that it will discontinue or materially reduce its mortgage-backed security pledges, and, if it promptly takes such action, FICC shall waive or reduce the charge accordingly.

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Pool Factor

The term “Pool Factor” means, with respect to the Blackout Period Exposure Charge, the percentage of the initial principal that remains outstanding on the
mortgage loan pool underlying a mortgage-backed security, as published by the government-sponsored entity that is the issuer of such security.

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RULE 4 - CLEARING FUND AND LOSS ALLOCATION

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Section 1b – Unadjusted GSD Margin Portfolio Amount

(a) Each Business Day, the Corporation shall determine, with respect to each Margin Portfolio, an Unadjusted GSD Margin Portfolio Amount as the sum of the following:

(i) the VaR Charge,

plus

(ii) the Coverage Charge,

minus

(iii) in the case of a Margin Portfolio of a Cross Margining Participant that is subject to one or more Cross-Margining Arrangements, in the discretion of the Corporation, an amount not to exceed the sum of any applicable Cross-Margining Reductions, calculated on the current Business Day for such Cross-Margining Participant in accordance with the applicable Cross-Margining Agreements,

plus

(iv) in the case of a Margin Portfolio of a GCF Counterparty, the GCF Premium Charge and/or GCF Repo Event Premium and/or the Early Unwind Intraday Charge, if applicable,

plus

(v) in the case of a Margin Portfolio of a GCF Counterparty with backtesting deficiencies, the Blackout Period Exposure Charge, if applicable, during the monthly Blackout Period and until the applicable GCF Clearing Agent Bank updates the Pool Factors used for collateral valuation.

The Corporation shall determine a separate Unadjusted GSD Margin Portfolio Amount for a Netting Member’s Market Professional Cross-Margining Account.

The Corporation shall have the discretion to not apply the VaR calculation(s) to net
unsettled positions in classes of securities whose volatility is less amenable to statistical analysis, or to Term Repo Transactions and Forward-Starting Repo Transactions (including term and forward-starting GCF Repo Transactions) whose term repo rate volatility is less amenable to statistical analysis. In lieu of such calculation, the component required with respect to such transactions shall instead be determined based on a historic index volatility model.

The Corporation shall take into account the VaR confidence level applicable to the Member in calculating the VaR Charge and Coverage Charge. In the case of a Margin Portfolio containing accounts of Permitted Margin Affiliates, the Corporation shall apply the highest VaR confidence level applicable to the Member or its Permitted Margin Affiliates.

The Corporation shall have the discretion to calculate an additional amount (“special charge”) applicable to a Margin Portfolio 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.

The Corporation shall calculate the Unadjusted GSD Margin Portfolio Amount applicable to a Sponsoring Member Omnibus Account, and the Sponsoring Member Omnibus Account Required Fund Deposit, subject to the provisions set forth in Section 10 of Rule 3A.

The minimum Clearing Fund requirement applicable to an Inter-Dealer Broker Netting Member or a Netting Member that maintains one or more Broker Accounts shall at all times be no less than $5 million.

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.

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