

**Bolded, underlined text** indicates added language

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

**FIXED INCOME CLEARING CORPORATION**

**GOVERNMENT SECURITIES DIVISION RULEBOOK**

## RULE 1 – DEFINITIONS

Approved but not yet operative changes to this Rule 1, as amended by File Nos. SR-FICC-2017-002 and SR-FICC-2017-802, are set forth below. Underlined and boldface text indicates added language. Strikethrough and boldface text indicates deleted language. These changes will become operative [insert date twelve (12) months after the later date of the SEC’s approval of File No. SR-FICC-2017-002 or no objection to File No. SR-FICC-2017-802]. The Corporation will notify Netting Members via Important Notice 30 Business Days before these changes become operative. Once operative, this legend will automatically be removed from the Rules and the formatting of the text of the changes in this Rule 1 will automatically be revised to reflect that these changes are operative.

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### Affected Member

The term “Affected Member” has the meaning assigned in Section 2a(b)(i)(E) of Rule 22A.

\* \* \* \*

### Aggregate Regular Amount

The term “Aggregate Regular Amount” means the total dollar amount determined by the Corporation as a sufficient threshold to capture the majority of all Netting Members’ observed Liquidity Needs.

### Aggregate Supplemental Amount

The term “Aggregate Supplemental Amount” means the difference between the Aggregate Total Amount minus the Aggregate Regular Amount.

### Aggregate Total Amount

The term “Aggregate Total Amount” means the sum of the Corporation’s Historical Cover 1 Liquidity Requirement plus the Liquidity Buffer for a given Look-Back Period.

### CCLF®

The term “CCLF®” means the Corporation’s “Capped Contingency Liquidity Facility®” as more fully described in Section 2a of Rule 22A.

### CCLF Event

The term “CCLF Event” means an event declared by the Corporation once it has ceased to act for a Netting Member pursuant to Rule 22A and determines, in its sole

discretion, that it does not have sufficient liquidity to satisfy the obligations of such Netting Member.

**CCLF MRA**

The term “CCLF MRA” has the meaning assigned in Section 2a(a) of Rule 22A.

**CCLF MRA Termination Date**

The term “CCLF MRA Termination Date” has the meaning assigned in Section 2a(a)(L) of Rule 22A.

**CCLF Transaction**

The term “CCLF Transaction” refers to a repurchase transaction entered into subject to the CCLF MRA.

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**Deliver Scaling Factor**

The term “Deliver Scaling Factor” means the percentage established by the Corporation which shall be used to calculate a Netting Member’s Individual Regular Amount.

\* \* \* \*

**Direct Affected Member**

The term “Direct Affected Member” has the meaning assigned in Section 2a(b)(i)(B) of Rule 22A.

\* \* \* \*

**Financed Securities**

The term “Financed Securities” has the meaning assigned in Section 2a(b)(i)(C) of Rule 22A.

**Financing Amount**

The term “Financing Amount” has the meaning assigned in Section 2a(b)(i)(B) of Rule 22A.

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### **Historical Cover 1 Liquidity Requirement**

**The term “Historical Cover 1 Liquidity Requirement” means the largest Liquidity Need of a Netting Member or family of affiliated Netting Members during the applicable Look-Back Period as determined by the Corporation.**

\* \* \* \*

### **Indirect Affected Member**

**The term “Indirect Affected Member” has the meaning assigned in Section 2a(b)(i)(E) of Rule 22A.**

### **Individual Regular Amount**

**The term “Individual Regular Amount” means the portion of the Aggregate Regular Amount that is allocated to each Netting Member by the Corporation in accordance with Section 2a(b)(iii) of Rule 22A.**

### **Individual Supplemental Amount**

**The term “Individual Supplemental Amount” means the portion of the Aggregate Supplemental Amount that is allocated to each Netting Member by the Corporation in accordance with Section 2a(b)(iv) of Rule 22A.**

### **Individual Total Amount**

**The term “Individual Total Amount” means the sum of a Netting Member’s Individual Regular Amount plus such Netting Member’s Individual Supplemental Amount.**

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### **Liquidating Trade**

**The term “Liquidating Trade” has the meaning assigned in Section 2a(b)(i)(G) of Rule 22A.**

### **Liquidity Buffer**

**The term “Liquidity Buffer” means the product of the Liquidity Percentage multiplied by the Historical Cover 1 Liquidity Requirement subject to a minimum of \$15 billion.**

### **Liquidity Need**

**The term “Liquidity Need” means the sum of a Netting Member’s Receive Obligations and Funds-Only Settlement Amounts.**

**Liquidity Percentage**

**The term “Liquidity Percentage” means a percentage determined by the Corporation in its sole discretion. Such percentage will be influenced by the Historical Cover 1 Liquidity Requirements over various time horizons and business trends related to the Corporation’s ability to maintain sufficient financial resources.**

**Liquidity Tier**

**The term “Liquidity Tier” means a stratum of Liquidity Needs, as determined in the Corporation’s sole discretion, that the Corporation defines to group Netting Members’ liquidity needs into discrete numeric ranges.**

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**Look-Back Period**

**The term “Look-Back Period” means a period of time determined by the Corporation in its sole discretion over which the Corporation analyzes Netting Members’ Liquidity Needs in order to determine the Historical Cover 1 Liquidity Requirement.**

\* \* \* \*

**Observation**

**The term “Observation” means a measurement of a Netting Member’s Liquidity Need as calculated on each Business Day during a Look-Back Period.**

\* \* \* \*

**Receive Scaling Factor**

**The term “Receive Scaling Factor” means the percentage established by the Corporation which shall be used to calculate a Netting Member’s Individual Regular Amount.**

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**Relative Inter-Tier Frequency**

**The term “Relative Inter-Tier Frequency” means, for each Liquidity Tier, the quotient of (x) the sum of all Netting Members’ Observations allocable to such Liquidity Tier divided by (y) the sum of all Netting Members’ Observations.**

**Relative Intra-Tier Frequency**

**The term “Relative Intra-Tier Frequency” means, for a certain Liquidity Tier, the quotient of (x) the number of a Netting Member’s Observations within such**

Liquidity Tier divided by (y) the sum of all Netting Members' Observations allocable to such Liquidity Tier.

Relevant Securities

The term "Relevant Securities" has the meaning assigned in Section 2a(a)(H)(1) of Rule 22A.

Remaining Financing Amount

The term "Remaining Financing Amount" has the meaning assigned in Section 2a(b)(i)(E) of Rule 22A.

\* \* \* \*

Required Attestation

The term "Required Attestation" has the meaning assigned in Section 2a(d) of Rule 22A.

\* \* \* \*

SIFMA MRA

The term "SIFMA MRA" means the September 1996 Securities Industry and Financial Markets Association Master Repurchase Agreement, available at <http://www.sifma.org/services/standard-forms-and-documentation/mra,-gmra,-msla-and-msftas/>.

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

*Approved but not yet operative changes to this Rule 22A, as amended by File Nos. SR-FICC-2017-002 and SR-FICC-2017-802, are set forth below. Underlined and boldface text indicates added language. Strikethrough and boldface text indicates deleted language. These changes will become operative [insert date twelve (12) months after the later date of the SEC's approval of File No. SR-FICC-2017-002 or no objection to File No. SR-FICC-2017-802]. The Corporation will notify Netting Members via Important Notice 30 Business Days before these changes become operative. Once operative, this legend will automatically be removed from the Rules and the formatting of the text of the changes in this Rule 22A will automatically be revised to reflect that these changes are operative.*

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Section 2a - Liquidity Requirements of Netting Members

(a) Master Repurchase Agreements

In order to finance the Corporation's obligations related to Netting Members' Deliver Obligations in accordance with paragraphs (b) and (c) below, the SIFMA MRA (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 Netting Member, as Buyer (the "CCLF MRA"); provided that, notwithstanding anything else set forth in the CCLF MRA:

- (A) CCLF Transactions (for purposes of this Section 2a, as defined in the CCLF MRA) shall only be initiated by the Corporation in accordance with this Rule 22A,
- (B) all CCLF Transactions shall be terminable only by demand of the Corporation and in accordance with this Rule 22A except as specified in paragraph (L) below,
- (C) all Securities (for purposes of this Section 2a, as defined in the CCLF MRA) shall be transferred by the Corporation in its sole discretion,
- (D) any and all notices, statements, demands or other communications under the CCLF MRA shall be given by a party to the other in accordance with the notice provisions set forth in the Rules,
- (E) so long as the Netting Member is a Member of the Corporation, the CCLF MRA may only be terminated by the Corporation,
- (F) there shall be no Events of Default (for purposes of this Section 2a, as defined in the CCLF MRA) with respect to the Seller other than a Corporation Default,
- (G) on any Business Day prior to the CCLF MRA Termination Date as defined in paragraph (L) below, the Corporation may, by notice to Buyer, terminate any CCLF Transaction, in whole or in part, by specifying such Business Day as the Repurchase Date (for purposes of this Section 2a, as defined in the CCLF MRA) for some or all of the Purchased Securities (for purposes of this Section 2a, as defined in the CCLF MRA),
- (H) if the Corporation terminates a portion of a CCLF Transaction pursuant to clause (G) of this paragraph:

- (1) the Repurchase Price (for purposes of this Section 2a, as defined in the CCLF MRA) for the Purchased Securities to be repurchased on such date (the “Relevant Securities”) shall be an amount equal to the sum of the Purchase Price (for purposes of this Section 2a, as defined in the CCLF MRA) for the Relevant Securities and the unpaid Price Differential (for purposes of this Section 2a, as defined in the CCLF MRA) accrued on the Purchase Price for the Relevant Securities through such Business Day;**
- (2) upon transfer of the Repurchase Price for the Relevant Securities, the Relevant Securities shall no longer constitute Purchased Securities; and**
- (3) upon transfer of the Repurchase Price for the Relevant Securities, the Purchase Price for the CCLF Transaction shall be reduced by the Purchase Price for the Relevant Securities,**
- (I) It shall be an “Event of Default” with respect to Buyer under a CCLF MRA if the Corporation ceases to act for the relevant Affected Member,**
- (J) Section 19(a) of the CCLF MRA shall be amended by adding at the end thereof before the period “, and this Agreement and each CCLF Transaction is of a type set forth in Section 5390(c)(8)(D) of Title 12 of the United States Code, as amended”,**
- (K) Section 19(b) of the CCLF MRA shall be amended by adding at the end thereof before the period “, and a right to terminate, liquidate or accelerate as described in Section 5390(c)(8)(A) and (C) of Title 12 of the United States Code, as amended”, and**
- (L) If (x) a Corporation Default has occurred during the term of a CCLF Transaction or (y) the Corporation has not repurchased all Purchased Securities (for purposes of this Section 2a, as defined in the CCLF MRA) under the applicable CCLF Transaction by (A) the end of the 30th calendar day after the Purchase Date (for purposes of this Section 2a, as defined in the CCLF MRA) in the case of a CCLF Transaction where the underlying security is a U.S. government agency debenture or U.S. Treasury bill, note or bond or (B) the end of the 60th calendar day after the Purchase Date in the case of a CCLF Transaction where the underlying security is a mortgage-**



backed security (the “CCLF MRA Termination Date”), the Affected Member may exercise the rights of a “nondefaulting party” under Section 11 of the CCLF MRA as if an “Event of Default” with respect to the Seller had occurred and such Affected Member had exercised the option referred to in Section 11(a) of the CCLF MRA.

**(b) Capped Contingency Liquidity Facility (“CCLF”)**

**(i) In the event that the Corporation ceases to act for a Netting Member pursuant to this Rule 22A and determines, in its sole discretion, that it does not have the ability to obtain sufficient liquidity from other resources in order to satisfy the obligations of a Defaulting Member, the Corporation may declare a CCLF Event. Upon such declaration, the following shall occur:**

- (A) The Corporation shall issue an Important Notice to all Netting Members informing them of the CCLF Event with respect to the Defaulting Member and advising such Netting Members to review their most recent liquidity funding reports to determine their respective Individual Total Amount;**
- (B) The Corporation shall determine (x) which Netting Members had Deliver Obligations to the Corporation, the securities in respect of which were destined for the Defaulting Member (each such Netting Member, a “Direct Affected Member”) and (y) the cash obligations of the Corporation to such Direct Affected Member in respect of which the Corporation needs financing (such Direct Affected Member’s “Financing Amount”);**
- (C) The Corporation shall notify each Direct Affected Member of the amount and description of the Eligible Netting Securities to which the Direct Affected Member’s Financing Amount relates (such Direct Affected Member’s “Financed Securities”) and whether such Affected Member is to deliver any such Financed Securities to the Corporation;**
- (D) The Corporation shall initiate CCLF Transactions with each Direct Affected Member having an aggregate purchase price up to such Affected Member’s Financing Amount, but in no event in excess of such Direct Affected Member’s Individual Total Amount;**
- (E) In the event that a Direct Affected Member’s Financing Amount exceeds its Individual Total Amount (the “Remaining Financing Amount”), the Corporation shall advise (x) each**

other Direct Affected Member whose Financing Amount is less than its Individual Total Amount, and (y) each Netting Member that has not otherwise entered into CCLF Transactions with the Corporation (the “Indirect Affected Members,” and together with the Direct Affected Members, “Affected Members”) that the Corporation intends to initiate CCLF Transactions with such Affected Members based on such Affected Members’ funding availability within their Individual Total Amounts. Each such CCLF Transaction shall have an aggregate purchase price equal to all or a portion of the Remaining Financing Amount, but in no event in excess of the Affected Member’s Individual Total Amount (after taking into account all CCLF Transactions in connection with the subject CCLF Event);

(F) At any time and from time to time, if a Remaining Financing Amount exists, the Corporation may, in its sole discretion, enter into CCLF Transactions with Affected Members based on such Affected Members’ funding availability within their Individual Total Amount (but in no event shall such CCLF Transactions in respect of an individual Affected Member exceed such Affected Member’s Individual Total Amount (after taking all CCLF Transactions in connection with any and all existing CCLF Events into account));

(G) Each CCLF Transaction shall remain open until the earlier of (x) such time that the Corporation has executed a transaction liquidating the Financed Securities (a “Liquidating Trade”), (y) such time that the Corporation has obtained liquidity through its available liquid resources or (z) the CCLF MRA Termination Date; and

(H) Upon the Corporation’s execution of the Liquidating Trade, the Corporation shall notify each Netting Member party to a related CCLF Transaction of the Corporation’s termination of such CCLF Transaction and shall instruct each such Netting Member to deliver the related securities to the Corporation in order to complete settlement on the contractual settlement date of the Liquidating Trade. The Corporation shall endeavor to terminate the CCLF Transactions based on the order that the Corporation enters into Liquidating Trades for the Financed Securities, subject to the Corporation’s risk management objective to minimize liquidation losses on the Financed Securities and minimize disruption to the fixed income markets.

All Delivery Obligations in respect of Financed Securities shall be deemed satisfied by operation of this Rule, and settlement of any original transaction between the Corporation and any Direct Affected Member shall be final notwithstanding that the Financed Securities are not required to be delivered to the Corporation in connection with such original transaction by the Direct Affected Member who was a buyer in the original transaction (such delivery being netted against delivery to the buyer under the CCLF MRA).

(ii) The Corporation shall conduct a study every six months, or at such intervals as the Corporation deems appropriate, to determine the following parameters:

- (A) Historical Cover 1 Liquidity Requirement,
- (B) the Liquidity Buffer,
- (C) the Receive Scaling Factor,
- (D) the Deliver Scaling Factor,
- (E) the Aggregate Total Amount,
- (F) the Aggregate Regular Amount, and
- (G) the Aggregate Supplemental Amount.

(iii) Based on the determinations referred to in (ii) above, the Corporation shall calculate the Individual Regular Amount for each Netting Member as the sum of subsections (A) and (B) below.

- (A) The Corporation shall (x) divide the absolute value of a Netting Member's Receive Obligations by the absolute value of the aggregate Receive Obligations of all Netting Members, then (y) multiply such resulting value by the Aggregate Regular Amount, then (z) multiply the resulting product by the Receive Scaling Factor.
- (B) The Corporation shall (x) divide the absolute value of a Netting Member's Deliver Obligations by the absolute value of the aggregate Deliver Obligations of all Netting Members, then (y) multiply such resulting value by the Aggregate Regular Amount, then (z) multiply the resulting product by the Deliver Scaling Factor.

(iv) Based on the determinations referred to in (ii) above, the Corporation shall calculate the Individual Supplemental Amount for each Netting Member by:

- (A) apportioning an amount of the Aggregate Supplemental Amount to each Liquidity Tier based on the Relative Inter-Tier Frequency of Liquidity Needs,
- (B) apportioning each Netting Member's portion of the Aggregate Supplemental Amount assigned to each of that Netting Member's Liquidity Tiers based on the Relative Intra-Tier Frequency in which that Netting Member's Liquidity Needs have reached the respective Liquidity Tier, and
- (C) summing each Netting Member's apportionment across Liquidity Tiers.

(v) Each Netting Member's Individual Total Amount is the sum of its Individual Regular Amount and its Individual Supplemental Amount. FICC shall provide each Netting Member with its Individual Total Amount every six months (the "Reset Period").

(vi) Every three months, or at such times as the Corporation deems appropriate, the Corporation shall assess the parameters set forth in (ii) above and may change any such parameter to ensure that the Corporation is able to satisfy its liquidity needs or to achieve the purposes of this Section 2a. If any Netting Member's Individual Total Amount is increased as a result of this paragraph (vi), such increase shall be effective as of the next Reset Period.

(vii) On a daily basis, or at such times as the Corporation deems appropriate, the Corporation may increase the Aggregate Total Amount to ensure that such amount is sufficient to satisfy its liquidity needs. If any Netting Member's Individual Total Amount is increased as a result of this paragraph (vii), such increase shall not be effective until ten (10) Business Days after the Corporation has made an Important Notice available to such Netting Member regarding such increase.

(c) Information to Netting Members

On each Business Day, the Corporation shall make a liquidity funding report available to each Netting Member. Each Netting Member's report shall include the following:

- (i) the Netting Member's Individual Regular Amount and Individual Supplemental Amount;

**(ii) the Corporation's Aggregate Total Amount, Aggregate Regular Amount and Aggregate Supplemental Amount; and**

**(iii) the daily liquidity coverage necessary to meet the Corporation's liquidity requirements.**

**This liquidity funding report shall be provided for informational purposes only. In the event that the Corporation declares a CCLF Event, Netting Members shall be required to enter into CCLF Transactions up to their Individual Total Amount as calculated by the Corporation.**

**(d) Required Attestation**

**At regular intervals determined in the Corporation's sole discretion or upon demand by the Corporation, each Netting Member shall attest that its Individual Total Amount has been incorporated into its liquidity plans (such attestation, the "Required Attestation"). The Required Attestation must be signed by two authorized officers of the Netting Member (or otherwise be satisfactory in form and substance to the Corporation) and contain the following certifications: (1) such officers have read and understand the Rules, (2) the Netting Member's Individual Total Amount has been incorporated into the Netting Member's liquidity planning, (3) the Netting Member acknowledges and agrees that its Individual Total Amount may be changed pursuant to Section 2a(b)(ii) through (v) of this Rule or otherwise upon ten (10) Business Days' Notice, (4) the Netting Member will incorporate any changes to its Individual Total Amount into its liquidity planning, and (5) the Netting Member shall, through periodic discussions with its financing sources and other methods, continually reassess its liquidity plans and related operational plans, including in the event of any changes to such Netting Member's Individual Total Amount, to ensure such Netting Member's ability to meet its Individual Total Amount.**

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