

Bold and underlined text indicates proposed added language

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

FIXED INCOME CLEARING CORPORATION

GOVERNMENT SECURITIES DIVISION RULEBOOK

Changes to this Rule 1, as amended by File No. SR-FICC-2018-004, are set forth below. These changes have been approved by the SEC but have not yet been implemented. Bold and underlined text indicates added language. These changes will be implemented on July 2, 2018. Once implemented, this legend will automatically be removed from this Rule 1 and the formatting of the text of the changes in this Rule 1 will automatically be revised to reflect that these changes are implemented.

RULE 1 – DEFINITIONS

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FOMC

The term “FOMC” means the Federal Open Market Committee as described on the website of the FRB.

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TMPG

The term “TMPG” means the Treasury Market Practices Group as described on the website of the Federal Reserve Bank of New York.

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Changes to this Rule 11, as amended by File No. SR-FICC-2018-004, are set forth below. These changes have been approved by the SEC but have not yet been implemented. Bold and underlined text indicates added language. Bold and strikethrough text indicates deleted language. These changes will be implemented on July 2, 2018. Once implemented, this legend will automatically be removed from this Rule 11 and the formatting of the text of the changes in this Rule 11 will automatically be revised to reflect that these changes are implemented.

RULE 11 - NETTING SYSTEM

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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 (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.

The fails charge shall be the product of the (i) funds associated with a failed position and (ii) the greater of (a) ~~01~~ 01 percent or (b) 3 percent per annum minus the ~~Target Fed funds target rate~~target level for the federal funds rate that is effective at 5 p.m. EST on the Business Day prior to the originally scheduled settlement date, capped at 3 percent per annum. If the FOMC specifies a target range in lieu of a target level, the lower limit of the target range announced by the FOMC would be used in the calculation of the fails charge. Further, if the FOMC were to terminate its policy of specifying or announcing a target level or range for the federal funds rate, then the rate that is used for the calculation of the fails charge would be a successor rate and source recommended by the TMPG.

In the event that the Corporation is the failing party because the Corporation received Securities too near the close of ~~Fedwire~~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 services.

At the end of each calendar month, the Corporation shall accrue a Netting Member's debits and credits and the resulting amount (either a debit or credit) shall be included in the Member's monthly bill.

The Board shall have the right, in its sole discretion, to revoke application of the charge if industry events or practices warrant such revocation.

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

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FIXED INCOME CLEARING CORPORATION

MORTGAGE-BACKED SECURITIES DIVISION

CLEARING RULES

Changes to this Rule 1, as amended by File No. SR-FICC-2018-004, are set forth below. These changes have been approved by the SEC but have not yet been implemented. Bold and underlined text indicates added language. These changes will be implemented on July 2, 2018. Once implemented, this legend will automatically be removed from this Rule 1 and the formatting of the text of the changes in this Rule 1 will automatically be revised to reflect that these changes are implemented.

RULE 1 – DEFINITIONS

* * *

FOMC

The term “FOMC” means the Federal Open Market Committee as described on the website of the FRB.

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TMPG

The term “TMPG” means the Treasury Market Practices Group as described on the website of the Federal Reserve Bank of New York.

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Changes to this Rule 12, as amended by File No. SR-FICC-2018-004, are set forth below. These changes have been approved by the SEC but have not yet been implemented. Bold and underlined text indicates added language. Bold and strikethrough text indicates deleted language. These changes will be implemented on July 2, 2018. Once implemented, this legend will automatically be removed from this Rule 12 and the formatting of the text of the changes in this Rule 12 will automatically be revised to reflect that these changes are implemented.

RULE 12 – FAILS CHARGE

The Corporation will apply the fails charge described herein to transactions in Eligible Securities issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae.

The fails charge applies to failing Eligible Securities issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. If a Clearing Member does not satisfy a ~~pool delivery obligation~~ **Pool Deliver Obligation** to the Corporation of Eligible Securities issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae on a particular Business Day, the Corporation shall apply a debit charge on the funds amount associated with the Clearing Member's failed position (the "fails charge"). If a Clearing Member fails to receive a ~~pool delivery obligation~~ **Pool Deliver Obligation** from the Corporation of Eligible Securities issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae on a particular Business Day, the Corporation shall credit the Clearing Member in the amount of the fails charge.

The fails charge shall be the product of the (i) funds associated with a failed position and (ii) the greater of (a) ~~01~~ **01** percent or (b) 2 percent per annum minus the ~~fed funds target rate~~ **target level for the federal funds rate** that is effective at 5 p.m. EST on the preceding ~~business day~~ **Business Day, capped at 2 percent per annum**. The fails charge accrues each calendar day. However, the fails charge will not apply to TBA and pool level round robins (i.e., a circular series of transactions between multiple parties where there is no ultimate long and short position to be settled) if each affected Clearing Member in the round robin provides the Corporation with the required information to resolve the trade. **If the FOMC specifies a target range in lieu of a target level, the lower limit of the target range announced by the FOMC would be used in the calculation of the fails charge. Further, if the FOMC were to terminate its policy of specifying or announcing a target level or range for the federal funds rate, then the rate that is used for the calculation of the fails charge would be a successor rate and source recommended by the TMPG.**

If fails accrue at a particular fails charge and the fails charge changes, the existing fails will keep the original accrual and new fails will be subject to the new rate. When there is a substitution of the underlying pool, fails charges will be calculated pursuant to the above formula using (in the formula) the ~~fed funds target rate~~ **target level for the federal funds rate** for each day of the substitution period beginning on the ~~e~~ **C**ontractual Settlement Date.

In the event that the Corporation is the failing party because (i) the Corporation received Eligible Securities issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae too near the close of ~~Fedwire~~ **FedWire** for redelivery or for any other reason, (ii) the Corporation received a

substitution of a ~~pool-deliver obligation~~ **Pool Deliver Obligation** of Eligible Securities issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae too near the specified cut-off time in the SIFMA 48-Hour Rule for same day redelivery of securities or for any other reason or (iii) the Corporation received an allocation of a TBA Obligation of Eligible Securities issued or guaranteed by Fannie Mae, Freddie Mac, or Ginnie Mae and the Corporation is unable to deliver such obligations by the specified cut-off time in the SIFMA 48-Hour Rule to be eligible for the specified SIFMA Contractual Settlement Date, the fails charge will be distributed pro rata to the Clearing Members based upon usage of the Mortgage-Backed Securities Division's services.

Each ~~business day~~ **Business Day**, the Corporation shall provide reports reflecting fails charge amounts to Clearing Members and will generate a consolidated monthly report at month end for those Eligible Securities issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae that were settled during the month. Clearing Members with a net debit (i.e., the fails charge amounts owed by the Clearing Member exceed the fails charge amounts it is owed) shall be required to pay such net amount in respect of those delivery obligations that have settled the previous month and which are reflected in the previous month's consolidated month end report by the Class "B" payable date (as established by SIFMA Guidelines) of the month following settlement in conjunction with other cash movements. The fails charge funds received by the Corporation will then be used to pay members with fail net credits.

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

The Board shall have the right, in its sole discretion, to revoke application of the charge if industry events or practices warrant such revocation.

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