



SPONSORED GENERAL COLLATERAL SERVICE

OVERVIEW

To better serve clients, FICC continues to expand the capabilities of the [Sponsored Service](#). The Sponsored General Collateral (GC) service allows Sponsoring Members and their Sponsored Members¹ and their [Sponsored Member Clients](#) to execute repo transactions with each other on a general collateral basis in the same asset classes as are currently eligible for Netting Members in FICC's existing GCF Repo[®] Service.

Such repo transactions are allowed to settle on the tri-party repo platform of BNY Mellon in a similar manner to the way Sponsoring Members and Sponsored Members settle tri-party repo transactions with each other outside of central clearing, thereby making it more operationally efficient for them to submit for central clearing repo transactions (including term repo transactions) with each other.

The service contributes to and improves the operational efficiency, overall resiliency, and capacity of the repo market by increasing access to liquidity, encouraging inclusion of more term repo activity in the clearing corporation, and enhancing risk management practices through broader access to central clearing.

BENEFITS

The Sponsored GC service offers the following benefits to Sponsoring Members, Sponsored Members and the U.S. financial market:

- **Reduction of Counterparty Risk:** Central clearing reduces counter-party risk through FICC's guarantee of the completion of settlement in a Member default scenario.
- **Balance Sheet and Capital Relief Opportunities:** Central clearing these repo transactions at FICC could alleviate constraints on Members by enabling them to reduce capital usage via novation and balance sheet netting.
- **Market Liquidity:** the service may allow eligible institutional firms to engage in greater activity than otherwise feasible outside of central clearing, thereby promoting greater market liquidity and the potential for increased returns.

WHO CAN USE IT - SPONSORED MEMBER ELIGIBILITY

Any legal entity from an FICC-approved jurisdiction that satisfies the Qualified Institutional Buyer (QIB) standard and has at least one Sponsoring Member² willing to sponsor it into FICC membership is eligible to participate in the Sponsored GC service as a Sponsored Member.

¹ This document should not be regarded as a substitute for the Rulebook of the Government Securities Division (GSD) of FICC. In all cases, Members should refer to the FICC/GSD Rulebook for a complete statement of FICC's rules, procedures, obligations, and requirements. Nothing in this document shall be deemed to impose any obligations on FICC that are not set forth in the FICC/GSD Rulebook, and in the case of any discrepancy between this document and the FICC/GSD Rulebook, the FICC/GSD Rulebook shall govern. The FICC/GSD Rulebook is available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>.

² To view a list of current Sponsoring Members clients, [click here](#), and filter by "Omnibus" in the Member Name column.

HOW THE SERVICE WORKS

The Sponsored General Collateral (GC) service allows Sponsoring Members and their Sponsored Member clients to submit for central clearing repo transactions executed with each other in the following new Generic CUSIP Numbers (Sponsored GC CUSIP Numbers):

Sponsored GC CUSIP Number	Description
84910LAB2	U.S. Treasuries < 10 Yr Maturity
84910LAA4	U.S. Treasuries < 30 Yr Maturity
84910LAC0	Non-Mortgage Backed U.S. Agency Securities
84910LAD8	Fannie Mae and Freddie Mac Fixed Rate Mortgage-Backed Securities
84910LAE6	Fannie Mae and Freddie Mac Adjustable Rate Mortgage-Backed Securities
84910LAF3	Ginnie Mae Fixed Rate Mortgage-Backed Securities
84910LAG1	Ginnie Mae Adjustable Rate Mortgage-Backed Securities
84910LAH9	U.S. Treasury Inflation Protected Securities ("TIPS")
84910LAJ5	U.S. Treasury STRIPS

- **Collateralization:** Each Sponsored GC Trade is required to be fully collateralized with securities eligible under the applicable Sponsored GC CUSIP Number and/or cash.
- **Settlement:** Consistent with the manner in which tri-party repo transactions are settled today outside of central clearing, the Start Leg of a Sponsored GC Trade settles on a trade for trade basis on the tri-party repo platform of BNY Mellon between the Sponsoring Member and the Sponsored Member.
- **Novation:** Novation to FICC of the End Leg of a Sponsored GC Trade occurs after the Start Leg of the Sponsored GC Trade has fully settled on the tri-party repo platform of BNY Mellon by the 5:30PM NYT deadline and BNY Mellon has provided FICC a report with information regarding the specific securities that were delivered in Start Leg settlement.
- **Repo Interest:** BNY Mellon on FICC's behalf administers the collection and payment of repo interest on a daily basis as between the Sponsoring Member and Sponsored Member (deadline 12:00PM NYT, except on the Scheduled Settlement Date of the End Leg where it will be passed as part of End Leg settlement).
- **Haircuts:** Consistent with the parameters of the existing Sponsored Service, a Sponsoring Member and Sponsored Member can also elect (as a commercial matter) to transfer haircut in the form of additional collateral above 100% of the cash value lent.

FOR MORE INFORMATION

To view the Sponsored Service volumes, [click here](#).