

DTCC

GSD Access Models

Facilitating Greater Access to Clearance and Settlement of Eligible Secondary Market Transactions in U.S. Treasury Securities

DATE: **March 4, 2024**

The proposals described in this presentation have been filed with the SEC and, as with any proposals filed by any registered clearing agency, are currently subject to a public comment period. We welcome engaging with you on the proposals and encourage all questions, comments and feedback. However, any written submission to us could potentially be deemed a public comment because of generally applicable regulatory obligations around proposed rule changes by registered clearing agencies. If this type of situation comes up, we will engage in further discussions with you to ensure we understand your intent and handle any written submissions appropriately.

Summary of Proposed Rule Changes: Facilitating Greater Access

FICC is proposing rule changes to the GSD Rules designed to facilitate access to clearance and settlement services of all eligible secondary market transactions in U.S. Treasury securities in accordance with the Treasury Clearing Rules. The proposal would lead to better understanding of the available methods for accessing FICC’s clearance and settlement systems.

1. AGENT CLEARING SERVICE

The proposal will re-name and consolidate GSD’s current correspondent clearing / prime broker services as the “Agent Clearing Service” and adopt provisions that are common in agent clearing models. The changes would help Netting Members and their customers recognize the similarities between FICC’s indirect access model and FCM agent clearing models and would identify the Agent Clearing Service as a “done away” model.

2. UPDATE CERTAIN MEMBERSHIP QUALIFICATIONS

The proposal will update certain qualifications for GSD’s membership, including: (1) eliminate the two categories of Sponsoring Members to apply the qualifications applicable to the current Category 2 Sponsoring Members to all Sponsoring Members; and (2) remove the requirement that Sponsored Members must be qualified institutional buyers or satisfy the financial requirements of such definition.

3. IMPROVE PUBLIC DISCLOSURES OF GSD ACCESS MODELS AND MEMBERSHIP CATEGORIES

The proposal will put in the GSD Rules a public road map of the different models for accessing the FICC’s clearance and settlement services that are available to market participants who want to access those services directly, as Netting Members, and firms that want to access those services indirectly.

Summary of Proposed Rule Changes

1. AGENT CLEARING SERVICE – GSD RULE 8

The proposal will re-name and consolidate GSD’s current correspondent clearing / prime broker services as the “Agent Clearing Service” and adopt provisions that are common in agent clearing models.

Proposed Changes to GSD Rules	
<i>Rule 1 (Definitions)</i>	Defined terms identify the parties who can participate in the “Agent Clearing Service” as “Agent Clearing Members” and “Executing Firm Customers”.
<i>Rule 8, Section 2 (Qualifications)</i>	<ul style="list-style-type: none">• Most Netting Members are eligible to apply to be an Agent Clearing Member by submitting an application to FICC.• The application will require information about the applicant’s customers, past and/or projected volumes of customer activity, and the applicant’s controls for monitoring and mitigating risks, including customer risks.
<i>Rule 8, Section 3 (Executing Firm Customer Relationships)</i>	<ul style="list-style-type: none">• Agent Clearing Member may establish a relationship with an Executing Firm Customer through the Agent Clearing Service by providing the following: (1) name and executing firm symbol of customer; (2) written authorization from customer; (3) LEI of customer; (4) confirmation that Agent Clearing Member and customer have entered contract that binds customer to applicable provisions of GSD Rules; (5) confirmation customer understands applicable provisions of GSD Rules.

Summary of Proposed Rule Changes

1. AGENT CLEARING SERVICE – GSD RULE 8 (continued)

The proposal will re-name and consolidate GSD’s current correspondent clearing / prime broker services as the “Agent Clearing Service” and adopt provisions that are common in agent clearing models.

Proposed Rule Changes

<i>Rule 8, Section 4 (Agent Clearing Transactions)</i>	<ul style="list-style-type: none">• “Agent Clearing Transactions” include any transactions that are eligible to be submitted for comparison, netting or settlement with the exception of Netting Eligible Auction Purchases, Brokered Transactions, GCF Repo Transactions and CCIT Transactions.
<i>Rule 8, Section 5 (Rights and Obligations of Agent Clearing Members)</i>	<ul style="list-style-type: none">• Agent Clearing Members may submit Agent Clearing Transactions to FICC in accordance with applicable provisions of GSD Rules, acting as agent of its customers.• Agent Clearing Members are fully liable to FICC performance of all obligations with respect to Agent Clearing Transactions.
<i>Rule 8, Section 6 (Executing Firm Customer Acknowledgement)</i>	<ul style="list-style-type: none">• Executing Firm Customer acknowledgements with respect to their participation in the Agent Clearing Service including, for example, (1) use of the Agent Clearing Service is subject to the applicable provisions of the GSD Rules; and (2) FICC has no obligation to the customers but deal directly with the Agent Clearing Members in all respects.
<i>Rule 8, Section 7 (Agent Clearing Transactions Processing Rules)</i>	Agent Clearing Transactions, are recorded in Accounts maintained by FICC on behalf of the Agent Clearing Member, referred to as “Agent Clearing Member Omnibus Accounts”, and are generally processed in the same way as similar transactions submitted to FICC for clearing and settlement.

2. UPDATE TO CERTAIN MEMBERSHIP QUALIFICATIONS

The proposal will update certain qualifications for GSD’s membership, as described below. By expanding the eligibility for market participants to be Sponsored Members, in particular, the proposal supports the goals of the Treasury Clearing Rules to facilitate increased central clearing of transactions involving U.S. Treasury securities.

Proposed Rule Changes	
<i>Eliminate 2 Categories of Sponsoring Members</i>	<ul style="list-style-type: none">• <i>Capitalization Requirements</i> – Eliminate the capitalization requirements that Bank Netting Members must meet when applying to be Sponsoring Members and applying the same qualifications to all Sponsoring Member applicants.• <i>Required Fund Deposit Increases</i> – Eliminate the risk management measure through which FICC increases the margin requirement if a Category 1 Sponsoring Member fails to meet its capital requirements, and instead apply the existing activity limit to all Sponsoring Members (activity limit restricts submission of sponsored activity when a Sponsoring Member’s VaR Charge requirement exceeds its capital levels).
<i>Remove QIB Requirement for Sponsored Members</i>	<ul style="list-style-type: none">• Remove the QIB requirement for applicants to be Sponsored Members. Only remaining qualification for an applicant to be a Sponsored Member is that it has a current LEI and is sponsored by at least one Sponsoring Member.

Summary of Proposed Rule Changes

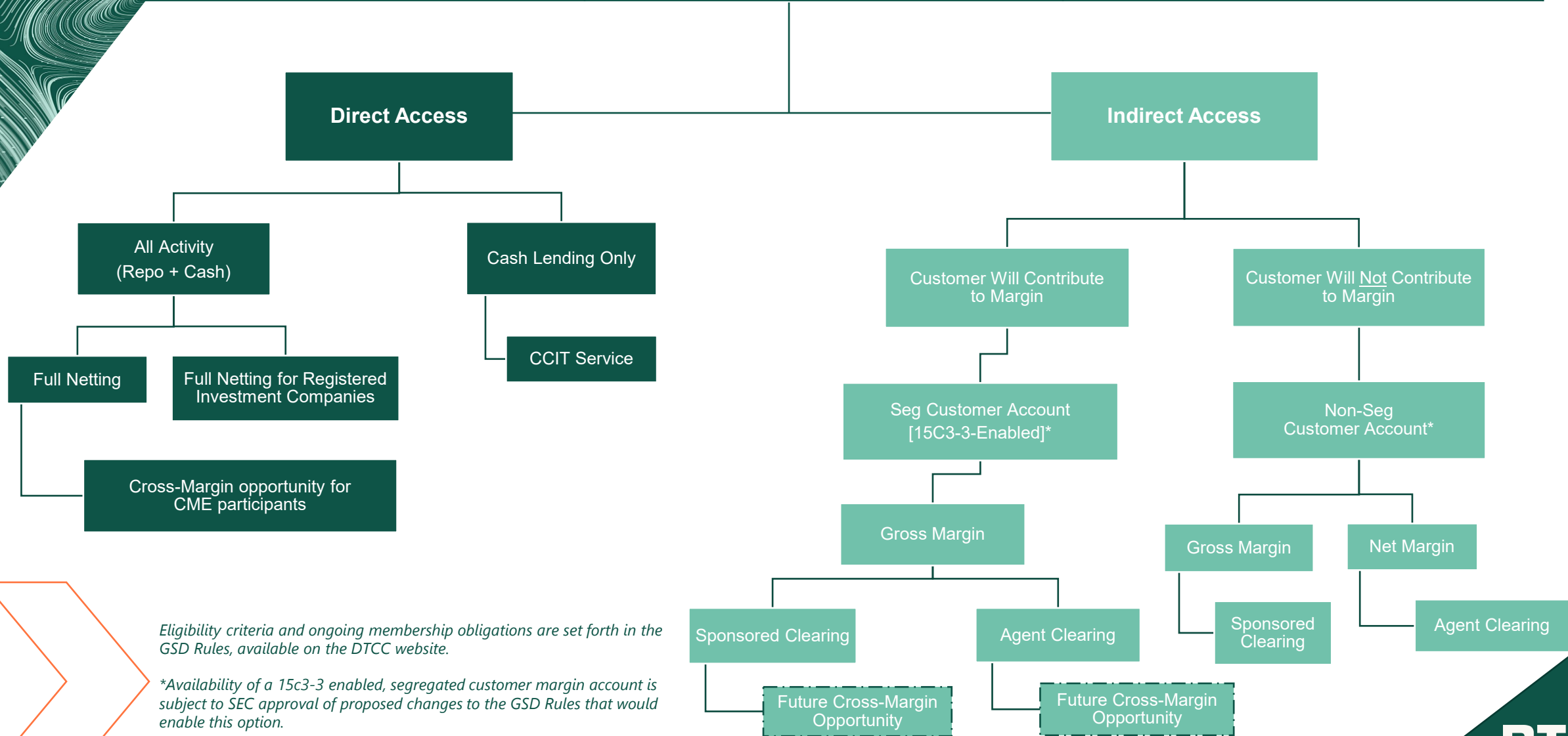
3. IMPROVE PUBLIC DISCLOSURES OF ACCESS MODELS AND MEMBERSHIP CATEGORIES

The proposal will put in GSD Rule 2 a public road map of the different models for accessing the FICC’s clearance and settlement services that are available to market participants who want to access those services directly, as Netting Members, and firms that want to access those services indirectly.

Proposed Rule Changes	
<i>Rule 2, Section 1</i>	<ul style="list-style-type: none">GSD’s services may be available directly or indirectly through either the Sponsored Service or a relationship with an Agent Clearing Member.
<i>Rule 2, Section 2</i>	<ul style="list-style-type: none">Direct participation through a GSD membership: Netting Members, CCIT Members, Funds-Only Settling Bank Members and Comparison-Only Members.
<i>Rule 2, Section 3</i>	<ul style="list-style-type: none">Indirect participation through one of two available indirect access models:<ul style="list-style-type: none">Sponsored Service – providing indirect access to Sponsored Members through Sponsoring Members.Agent Clearing Service – providing indirect access to Executing Firm Customers through Agent Clearing Members.

If engaged in Treasury activity for central clearing, then...

Capital Considerations	Credit Considerations	Jurisdiction Considerations
Balance Sheet netting, margin and CCLF obligations, settlement netting	Benefits of membership	Domicile of customers vs. FICC's currently permitted jurisdictions for Sponsored Members



Eligibility criteria and ongoing membership obligations are set forth in the GSD Rules, available on the DTCC website.

*Availability of a 15c3-3 enabled, segregated customer margin account is subject to SEC approval of proposed changes to the GSD Rules that would enable this option.