



FICC – GSD

GSD SAME-DAY SETTLING SERVICE & PAIR-OFF SERVICE OVERVIEW

VERSION 1.0.2

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BACKGROUND

- Feedback received from Members for FICC to consider same-day settlement of DVP repo transactions.
- This expansion of the FICC/GSD's DVP Service included:
 - Expanding its trade novation, guarantee of settlement and risk management services to Same-Day Settling Trades¹.
 - Offering a facility to pair off Members' failing obligations in an automated process.

¹ "Same-Day Settling Trade" would mean (i) a Start Leg of a Netting Member's Repo

Transaction where the Scheduled Settlement Date of the Start Leg is the current Business Day,

(ii) an As-Of Trade of a Netting Member where the Scheduled Settlement Date of the Start Leg

is the previous Business Day and the End Leg is the current Business Day or thereafter, or (iii) a

Sponsored Member Trade within the meaning of subsection (b) of that definition (refer to GSD Rulebook, Section 1 Definitions) that meets the requirements of either (i) or (ii) above.

OVERVIEW OF DVP SERVICE EXPANSION

GSD Same-Day Settling Service

The following has been implemented as part of GSD's Same-Day Settling Service:

- GSD has expanded its novation, guarantee, risk management and settlement services to its Members' eligible and compared Same-Day Settling Trades.
- Same-day netting is **not** part of this expansion.
- GSD settles compared Same-Day Settling Trades on a trade for trade basis at contract value.
- GSD creates Securities Settlement Obligations resulting from the compared trades and transmits settlement instructions to the Members.
- Settlement of Securities Settlement Obligations resulting from compared Same-Day Settling Trades occurs between Members and GSD.
- GSD expects no changes to Members' trading practices as result of the service expansion.
- GSD expects Members to submit all their eligible bilateral trades for comparison as per the current GSD rules.
- The current criteria for trade submission, trade validation and trade matching applies to the Same-Day Settling Trades.
- Comparison of the Same-Day Settling Trades occurs pursuant to Rules 6A and 6B.
- Demand trades submitted by Repo Brokers are deemed compared upon receipt of the trade data from the Repo Broker.
 - For the Same-Day Settling Service, Repo Brokers are required to submit both sides of a repo transaction with matching Broker X-refs to generate obligations on compared brokered Same-Day Settling Trades. Repo Brokers may refer to the GSD Same-Day Settling Operational Best Practices Guide for more information.
- Brokered Same-Day Settling Trades submitted after 4 PM ET continue to require bilateral comparison for settlement with GSD.
- Non-brokered Same-Day Settling Trades between Members require bilateral comparison for settlement with GSD.
- GSD utilizes established Interactive Messages (IM) to communicate to Members the status of their trades (MT509 & MT518) and obligations (MT548) throughout the day. Minor changes have been made to the MT509 and MT548 messages to support the Same-Day Settling Service and Pair-Off Service. You may refer to the GSD Interactive Messaging (IM) Member Specifications for Comparison Input and Output v4.0 and the GSD Interactive Messaging (IM) Member Specifications for Netting Output v2.0 for more information.
- GSD also utilizes established MRO files to provide Members with status updates on their trades and obligations at end of day. There will be **no changes** to these messaging specifications as a result of this initiative. However, paired off obligations are now reported under MRO 49.
- GSD attempts to settle the Same-Day Settling Trades executed and compared after 3PM on a reasonable efforts basis*. Refer to the [Appendix](#) for more information.

**Subject to Fedwire close.*

GSD Pair-Off Service

The following has been implemented as part of GSD's Pair-Off Service:

- Members may opt into the Pair-Off Service. However, once opted in, GSD controls the automated pair-off process.
- The Pair-Off Service is not be a Member driven pair-off process.
- At end of day, GSD initiates a systemic process to pair-off unsettled obligations with like par amounts and like or unlike monies.
- Pair-offs are processed on a per Member, per netting eligible CUSIP basis. There will be no partial pair-offs.
- The net par of the paired off obligations must equal to zero.
- Any money differences resulting from the pair-off process are to be settled same-day through the intraday Funds-Only Settlement (FOS) process.
- The timing of settlement for intraday FOS changed to later in the day to accommodate the settlement of the pair-off amounts. Refer to the [Appendix](#) for more information.
- Net money difference amounts (credit or debit) are applied to Members' accounts as Miscellaneous Adjustments on their Intraday Funds Settlement Statement.
- Securities Settlement Obligations cleared through the pair-off process and any resulting money difference amounts will be reported to Members.
- All Securities Settlement Obligations that remain after the pair-off process has completed are to be netted for settlement the following business day.
- TMPG charges and mark to market will be applied to those failing Securities Settlement Obligations as per the current GSD Rulebook ("GSD Rules").

REQUIREMENTS FOR MEMBERS

- Submit to GSD trade details on all transactions upon trade execution.
- Do not put repo tracking codes on Securities Settlement Obligations submitted to GSD.
- Take action on advisories and cancel requests in a timely and accurate manner.
- Promptly respond to any inquiry made by GSD (Operations, Risk & Product Management).
- Promptly satisfy Funds-Only Settlement, Clearing Fund and Securities Settlement Obligations with GSD.
- Promptly communicate to GSD any operational issues or any other issues that would limit the Members' ability to satisfy their obligations to GSD.
- Testing of these new services are mandatory. All affected GSD Members must attest to their operational readiness prior to production go-live.

ADDITIONAL ASPECTS OF THE PROPOSAL

- GSD guarantee the settlement of Members' eligible Same-Day Settling Trades upon comparison.
- Members are to adhere to established protocols as defined within the GSD Rules and applicable operational procedures. This may include, but is not limited to:
 - the Schedule of Required Match Data,
 - the Schedule of Required Data Submission Items,
 - the Schedule of Required and Other Data Submission Items.

CLIENT AND SERVICE IMPACT

Client Base Impacted by New Services

- Netting Members and Sponsored Members who execute transactions with Netting Members other than their Sponsoring Member that participate in GSD's Repo Netting Services who trade Same-Day Settling Trades will be impacted by the proposed expansion of GSD's DVP Service.
- After receiving feedback, GSD has determined that Repo Brokers have the choice to participate in the Same-Day Settling Service.
- The Same-Day Settling Service is mandatory for all other Netting Members and Sponsored Members who execute transactions with Netting Members other than their Sponsoring Member. However, for Dealer Netting Members who have executed Same-Day Settling Trades through an IDB who has opted out of the service, the start leg on such transactions must settle outside of GSD.
- The Pair-Off Service will be voluntary. Netting Members, excluding Repo Brokers and Sponsored Members who execute transactions with Netting Members other than their Sponsoring Member may opt into the Pair-Off Service.

Services Impacted

- This expansion would only impact the DVP Service.
- There is no change to the GCF Repo[®] or CCIT[™] Services.

APPENDIX

See below for new intraday Funds-Only Settlement (FOS) processing times:

Times*	Description
2:00 PM	Initial intraday funds-only settlement (FOS) reports are made available.
3:32 – 4:00 PM	GSD will commence the systemic pair-off process on participating members failing Securities Settlement Obligations.
4:00 PM	Final intraday FOS reports are made available. These reports will include any miscellaneous adjustments applied as a result of the pair-off process.
4:00 PM	Funds-Only Settling Banks should be in receipt of Net FOS Figures. At this time Funds-Only Settling Banks may begin to acknowledge their Net FOS figures on behalf of Netting Members.
4:30 PM	Time in which Funds-Only Settling Banks must inform GSD of its acknowledgement and intent to settle or its refusal to settle on behalf of a Netting Member.
4:30 PM	The intraday FOS debits and credits will be executed via NSS.
*All times here in are ET.	

See below for settlement times of Same-Day Settling Trades:

Timeframe*	Description
7:00 AM–3:00 PM	GSD will attempt to settle all matched Same-Day Settling Trades.
3:01 PM–3:15 PM	GSD will attempt to settle Same-Day Settling Trades executed and matched after 3:00 PM on a reasonable efforts basis.
3:16 PM–3:30 PM	In order to settle Same-Day Settling Trades executed and matched after 3:16 PM, clients must contact GSD Operations. GSD Operations will attempt to settle Same-Day Settling Trades on a reasonable efforts basis.
3:31 PM–5:00 PM	In order to settle Same-Day Settling Trades executed and matched after 3:31 PM, clients must contact GSD Operations. GSD Operations will attempt to settle Same-Day Settling Trades that are settling within BNY on a reasonable efforts basis.
*All times are ET.	

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