

FICC-SR-2017-003 Amendment No. 1

EXHIBIT 5

Bold and underlined text indicates proposed added language

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

FIXED INCOME CLEARING CORPORATION

GOVERNMENT SECURITIES DIVISION RULEBOOK

RULE 1 – DEFINITIONS

Unless the context requires otherwise, the terms defined in this Rule shall, for all purposes of these Rules, have the meanings herein specified.

* * * *

Sponsoring Member Omnibus Account

The term “Sponsoring Member Omnibus Account” shall mean the Account maintained by a Sponsoring Member that contains the activity of its Sponsored Members that is submitted to the Corporation. The Sponsoring Member Omnibus Account shall be separate from the Accounts associated with the Sponsoring Member’s activity as a Netting Member except as contemplated by Sections 10, 11 and 12 of Rule 3A and under the Sponsoring Member Guaranty.

* * * *

RULE 3A – SPONSORING MEMBERS AND SPONSORED MEMBERS

* * * *

Section 2 – Qualifications of Sponsoring Members, the Application Process and Continuance Standards

* * * *

(d) A Sponsoring Member shall represent to the Corporation in a writing signed by an **duly authorized** officer of the Sponsoring Member that **each of its Sponsored Members are registered Investment Companies under the Investment Company Act of 1940 and are (i) is a “qualified institutional buyers” as defined in Rule 144A under the Securities Act of 1933, as amended, or (ii) is a legal entity that, although not organized as an entity specifically listed in paragraph (a)(1)(i) of Rule 144A under the Securities Act of 1933, as amended, satisfies the financial requirements necessary to be a “qualified institutional buyer” as specified in that paragraph.** Such representation shall be provided to the Corporation within 10 business days after each quarter-end, with respect to the quarter then ended. If the Sponsoring Member fails to provide the requisite representation within the requisite 10-business day period, the Sponsoring Member shall be subject to a fine by the Corporation which shall be determined in accordance with the Fine Schedule for Failure to Timely Provide Financial and Related Information. The Corporation shall have the right to cease to act for the Sponsoring Member in its capacity as a Sponsoring Member pursuant to Section 14 of this Rule 3A if the Sponsoring Member does not provide the requisite representation regarding one or more of its Sponsored Members. The Corporation shall also have the right to cease to act, pursuant to Section 13 of this Rule 3A, for any Sponsored Members for which it does not have a requisite representation, unless the Sponsoring Member and/or the affected Sponsored Member(s) request that such action not be taken and the Corporation determines that, depending upon the specific circumstances and the records of the Sponsoring Member and the Sponsored Member(s), it is appropriate instead to establish a time period, which shall be determined by the Corporation, during which the Sponsoring Member and/or the affected Sponsored Member(s) must resume compliance with the representation requirement. In the event that the Sponsoring Member or the Sponsored Member(s) are unable to satisfy such requirement within the time period specified by the Corporation, the Corporation shall, pursuant to these Rules, cease to act for the Sponsoring Member in its capacity as a Sponsoring Member pursuant to Section 14 of this Rule 3A and/or cease to act for the Sponsored Member(s) pursuant to Section 13 of this Rule 3A.

* * * *

Section 3 - Qualifications of Sponsored Members, Approval Process and Continuance Standard

(a) A Person shall be eligible to become a Sponsored Member if: (i) it is sponsored into membership by a Sponsoring Member, and (ii) it **(A) is a registered Investment Company under the Investment Company Act of 1940 and a “qualified institutional buyer” as defined by Rule 144A under the Securities Act of 1933, as amended, or (B) is a legal entity that, although not organized as an entity specifically listed in paragraph (a)(1)(i) of Rule 144A under the Securities Act of 1933, as amended, satisfies the financial requirements necessary**

to be a “qualified institutional buyer” as specified in that paragraph. The Corporation shall have the right to rely on the representation provided by the Sponsoring Member regarding satisfaction of (ii).

* * * *

(c) Each Person to become a Sponsored Member shall sign and deliver to the Corporation a Sponsored Member Agreement whereby the Person shall agree to any terms and conditions deemed by the Corporation to be necessary in order to protect itself and its Members. **Each Person to become a Sponsored Member that shall be an FFI Member must be FATCA Compliant.**

* * * *

Section 4—Compliance with Laws

Each of the Sponsoring Members and Sponsored Members shall comply in all material respects with all applicable laws, including applicable laws relating to securities, taxation and money laundering, **as well as global sanctions laws,** in connection with the use of the Corporation’s services.

* * * *

Section 7 – The Netting System and Guaranty of Settlement

* * * *

(c) Fail Net Settlement Positions per CUSIP shall be calculated at the level of the Sponsoring Member Omnibus Account in the same way as they are calculated for Netting Members pursuant to Rule 11. At the request of the Corporation, the Sponsoring Member shall inform the Corporation as to the manner in which the Sponsoring Member allocates a Fail Net Settlement Position among its Sponsored Members. **Fail charges shall be applied at the level of the Sponsoring Member Omnibus Account in the same way as they are applied to Netting Members pursuant to Rule 11.**

(d) The Corporation’s guaranty of settlement shall apply to Sponsored Member Trades and such trades shall be novated in the same manner in which trades of Netting Members are novated and settlement is guaranteed pursuant to Section **58** of Rule **85**.

* * * *

Section 9—Funds-Only Settlement

* * * *

(d) Section **67** of Rule 13 shall apply to the Sponsored Member activity in the same manner in which it applies to Netting Member activity, except that the Sponsoring Member shall have all obligations arising thereunder even if caused by its Sponsored Members.

Section 10—Clearing Fund Obligations

* * * *

(c) The amount of the Sponsoring Member Omnibus Account Required Fund Deposit to be made and maintained by each Sponsoring Member on each Business Day shall be determined as follows: A Required Fund Deposit calculation shall be performed for each Sponsored Member whose activity is represented in the Sponsoring Member Omnibus Account pursuant to Rule 4, subject to the provisions of this Section 10 of this Rule 3A. The Sponsoring Member Omnibus Account Required Fund Deposit shall be equal to the sum of the following:-(1) the sum of the ~~Required Fund Deposit calculations~~VaR Charges for all of the Sponsored Members whose activity is represented in the Sponsoring Member Omnibus Account as derived pursuant to Section 1b(a)(i) of Rule 4, and (2) all amounts derived pursuant to the provisions of Rule 4 other than pursuant to Section 1b(a)(i) of Rule 4~~the Clearing Fund components related to Fail Net Settlement Positions and Funds-Only Settlement amounts~~ computed at the level of the Sponsoring Member Omnibus Account. For purposes of calculating the Unadjusted GSD Margin Portfolio Amount applicable to a Sponsoring Member Omnibus Account, the Corporation shall apply the higher of the Required Fund Deposit calculation as of the beginning of the current Business Day and intraday on the current Business Day~~adjust for any over-collateralization in the Funds-Only Settlement Amount by determining such amount to be zero, if applicable, and excluding Fail Net Settlement Positions from such calculation, except under extraordinary circumstances.~~

(d) The lesser of \$5,000,000 or 10 percent of the total amount arrived at in subsection (c) of this Section 10, with a minimum of \$100,000 must be made and maintained in cash, with the remaining portion to be made and maintained in the form specified in, and subject to the requirements of, Section ~~43~~ of Rule 4, and subject to subsection (~~of~~) of Section 2 of Rule 4.

(e) The Corporation shall have the right to increase the Sponsoring Member Omnibus Account Required Fund Deposit in the same way and for the same reasons as set forth in subsections (~~g~~), (~~h~~), and (~~ne~~) of Section 2 of Rule 4.

(f) Sections 2a, 3, 3a, 3b, 4, 5, ~~68~~, 9, 10, and 11~~and 12~~ of Rule 4 shall apply to the Sponsoring Member Omnibus Account Required Fund Deposit with respect to obligations of a Sponsoring Member under the Rules, including its obligations arising under the Sponsoring Member Omnibus Account, and the obligations of a Sponsoring Member under its Sponsoring Member Guaranty to the same extent as such Sections apply to any Required Fund Deposit and any other obligations of a Member. For purposes of Section ~~54~~ of Rule 4, obligations and liabilities of a Netting Member to the Corporation that shall be secured shall include, without limitation, a Netting Member's obligations as a Sponsoring Member under the Rules, including, without limitation, any obligation of any such Sponsoring Member to provide the Sponsoring Member Omnibus Account Required Fund Deposit, such Sponsoring Member's obligations arising under the Sponsoring Member Omnibus Account of such Sponsoring Member and such Sponsoring Member's obligations under its Sponsoring Member Guaranty.

* * * *

Section 12—Loss Allocation Obligations

(a) Sponsored Members shall ~~be~~ not be obligated for allocations, pursuant to Rule 4, of loss or liability incurred by the Corporation. To the extent that a Remaining Loss (as defined in Section **87** of Rule 4) is determined by the Corporation to arise in connection with **Sponsored Member Trades**~~Direct Transactions that the Sponsored Members had with their Sponsoring Member~~ (i.e., in connection with the insolvency or default of a Sponsoring Member), the Sponsored Members shall not be responsible for or considered in the loss allocation calculation, but rather such loss shall be **allocated to Tier One Netting Members covered by the other Netting Members that had Direct Transactions with the Sponsoring Member in its capacity as a Netting Member** in accordance with the principles set forth in Section **87(d)(i)** of Rule 4.

(b) To the extent the Corporation incurs a Remaining Loss ~~other than one referred to in (a), a loss pursuant to Section 8(e) of Rule 4~~ or an Other Loss (as defined in Section **87(f)** of Rule 4) and a loss allocation obligation arises that would be the responsibility of the Sponsoring Member Omnibus Account if the Sponsoring Member Omnibus Account were a Netting Member, the Corporation shall calculate such loss allocation obligation as if the affected Sponsored Members were subject to such allocations pursuant to Section **87** of Rule 4, but the Sponsoring Member shall be responsible for satisfying such obligations.

* * * *

Section 13—Restrictions on Access to Services by a Sponsored Member

(a) Based upon the judgment of the Corporation that adequate cause exists to do so, the Corporation may at any time upon providing notice to the Sponsored Member and its Sponsoring Member, suspend a Sponsored Member from any service provided by the Corporation either with respect to a particular transaction or transactions or with respect to transactions generally, or prohibit or limit such Sponsored Member with respect to access to services offered by the Corporation in the event that one or more of the factors set forth in Section 1(a) through ~~(fg)~~ of Rule 21, with the Corporation making the determinations set forth therein, is present with respect to the Sponsored Member, and the Corporation, in its sole discretion, has reasonable grounds to believe that such action is appropriate either for the protection of the Corporation or other Members or to facilitate the orderly and continuous performance of the Corporation's services.

* * * *

Section 14—Restrictions on Access to Services by a Sponsoring Member

(a) Based upon the judgment of the Corporation that adequate cause exists to do so, the Corporation may at any time upon providing notice to the Sponsoring Member, suspend a Sponsoring Member in its capacity as a Sponsoring Member from any service provided by the Corporation either with respect to a particular transaction or transactions or with respect to transactions generally or prohibit or limit such Sponsoring Member with respect to access to services offered by the Corporation in the event that if one or more of the factors set forth in Section 1(a) through ~~(fg)~~ of Rule 21, with the Corporation making the determinations set forth

therein, is present with respect to the Sponsoring Member, and the Corporation, in its sole discretion, has reasonable grounds to believe that such action is appropriate either for the protection of the Corporation or other Members or to facilitate the orderly and continuous performance of the Corporation's services.

* * * *

Section 15—Insolvency of a Sponsored Member

(a) A Sponsored Member and its Sponsoring Member (to the extent it has knowledge thereof) shall be obligated to inform the Corporation that the Sponsored Member is insolvent or that the Sponsored Member will be unable to perform any of its material contracts, obligations or agreements in the same manner as required by Section 1 of Rule 22 for other Members. **For purposes of this section, a Sponsoring Member shall be deemed to have knowledge that a Sponsored Member is insolvent or will be unable to perform on any of its material contracts, obligations or agreements if one or more duly authorized representatives of the Sponsoring Member, in its capacity as such, has knowledge of such matters.** A Sponsored Member shall be treated by the Corporation in all respects as insolvent under the same circumstances set forth in Section 2 of Rule 22 for other Members. Section 3 of Rule 22 shall apply, in the same manner in which such Section applies to other Members, in the case where the Corporation treats a Sponsored Member as insolvent.