



BNY MELLON

# Sponsored Cleared Repo



Central Clearing has become an increasingly important feature of the repo landscape in recent years.

# What Is Cleared Repo?

Since the financial crisis, regulators from around the world have agreed a series of capital reforms that, while strengthening the loss-absorbing capability of the banking sector, have also had an adverse consequence on the funding capacity available to repo market participants.

This is where central clearing and sponsored cleared repo access come into play.

Consolidating repo activities through industry utilities known as central counterparties (CCPs) offers a highly efficient means to counter the increased capital burden created by the regulations.

Banks and dealers achieve efficiencies in their repo activities through the centralization and netting of exposures with CCPs like the Fixed Income Clearing Corporation (FICC).

However, because direct CCP access has historically only been available to banks and broker dealers, the full scope of potential optimization could not be realized — until now.

BNY Mellon is a market leader in facilitating direct CCP access, providing the corresponding risk mitigation and capacity benefits of repo clearing to qualifying cash investors and borrowers through a mechanism called “sponsored membership.”

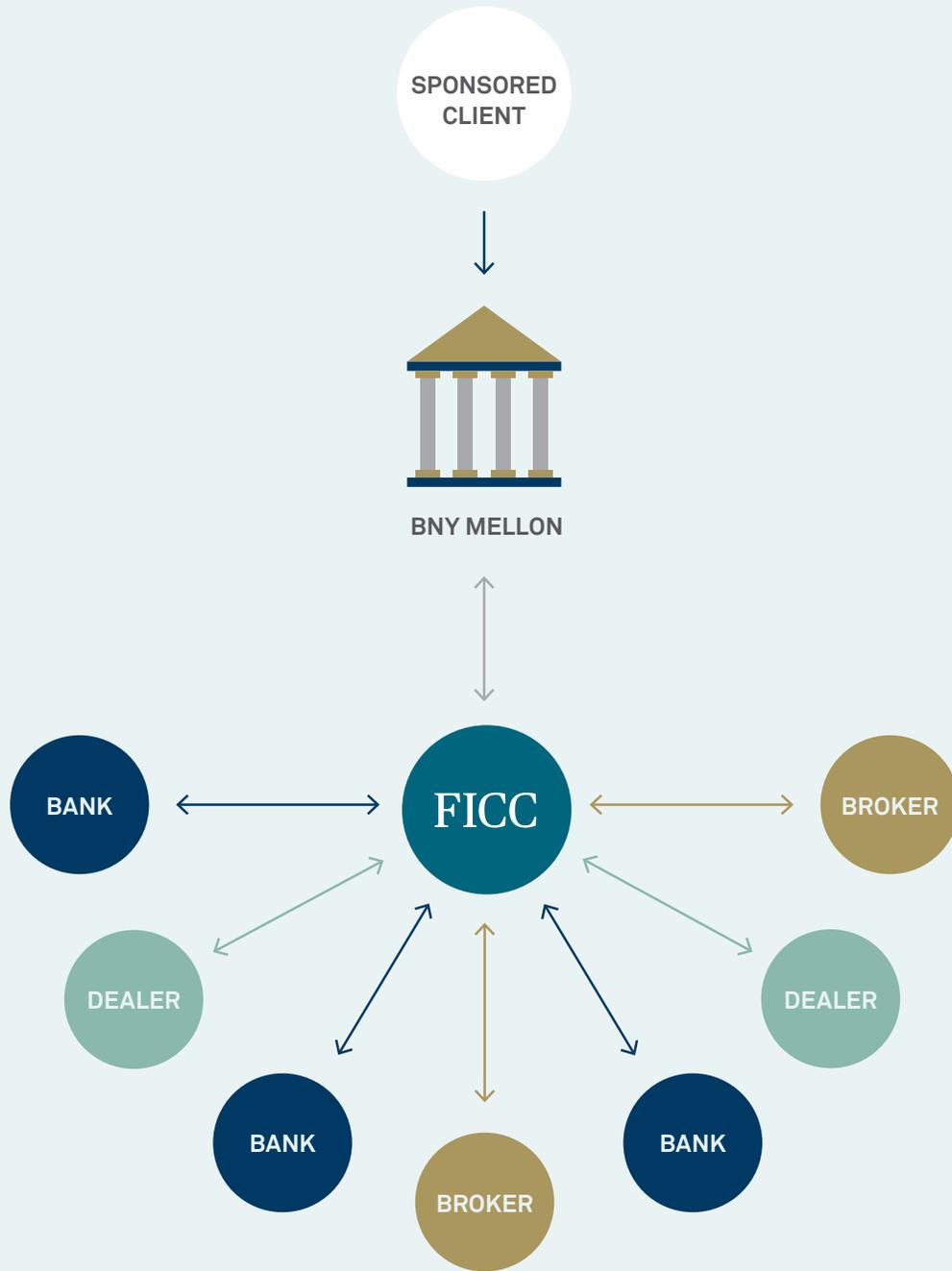
# What Is Sponsored Membership?

Sponsored membership enables you to face FICC directly in repo transactions without the requirements of full membership of the clearing house, such as making default fund contributions, being part of the loss mutualization waterfall and the obligation to provide contingent liquidity.

In short, sponsored membership allows you to enjoy the upside of CCP membership without many of the associated responsibilities because BNY Mellon takes care of a number of those obligations for you.

## **FICC**

The Fixed Income Clearing Corporation is a highly rated CCP that specializes in the matching, clearing and netting of transactions in US Treasuries and Agency debt securities, including repo trades involving US Treasuries as collateral.



### SPONSORED MEMBERSHIP EXPLAINED

In a sponsored cleared repo transaction, BNY Mellon sponsors your trade into FICC. This means that after initially entering into a bilateral repo trade with BNY Mellon, we “novate” that trade into the clearing house, resulting in you facing FICC directly, but without the responsibilities and obligations of full CCP membership.

# How Does Sponsored Membership Work?

FICC sponsored membership through BNY Mellon is straightforward. Here is the process.

## **BILATERAL REPO**

In a typical bilateral repo, the counterparties get comfortable with each other's creditworthiness and perform required anti-money-laundering and "know your customer" due diligence. Upon completion, the parties enter into a master repurchase agreement that governs the transaction.

Once trading commences, the cash borrower posts US Treasuries to its counterparty in exchange for cash.

Similarly, cash investors seeking short-term collateralized investment options can lend cash in exchange for US Treasuries via a reverse repo.

Since the transactions typically result in an increase in the dealer's balance sheet, there is an increased capital requirement that drives the cost of repo higher, while also broadly reducing industry capacity.

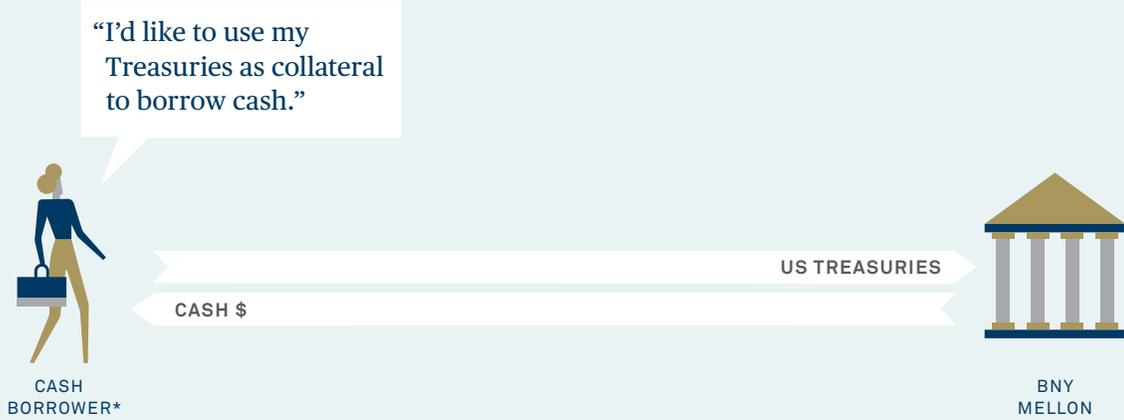
## **CLEARED REPO**

For a sponsored member, a cleared repo starts out like a bilateral repo trade with BNY Mellon.

However, since the sponsored party (in this case a cash borrower) will ultimately be facing FICC directly, and because BNY Mellon will be guaranteeing the performance of that sponsored party, there are a few additional steps:

1. Additional documentation needs to be agreed up front with both BNY Mellon and with FICC.
2. After a trade has been agreed and settled between BNY Mellon and the sponsored party, BNY Mellon then "steps out" of the trade via a novation.
3. This means FICC replaces BNY Mellon as the counterparty to the repo for the remainder of the transaction's lifecycle.

# BILATERAL REPO



POST THE NOVATION

# CLEARED REPO



\*Also applicable to cash lenders seeking Treasuries in a reverse repo.

THE BENEFITS  
OF REPO CLEARING  
WITH BNY MELLON

1

## Enhanced Liquidity

Improved balance sheet efficiency leads to increased capacity.

2

## Safety and Stability

Enjoy the security of facing a central counterparty — without the obligations of full membership.

3

## Access to a CCP

Sponsored membership is a highly effective way for the buy side to access FICC.

4

## Transact Entirely Within BNY Mellon's Construct

Execute and settle your repo trades without having to leave the BNY Mellon settlement and custody ecosystem.

# What Else Should I Know?

When BNY Mellon sponsors a counterparty, we facilitate all the settlement and collateral management responsibilities for you, all within the confines of BNY Mellon's securities clearing, custody and collateral management infrastructure.

If you're a cash investor we will ensure that you receive the appropriate collateral and provide segregated custody.

If you're a cash borrower, we will act as the settlement and processing agent and manage the flows of funds and collateral.

## **WE ARE THE CLEARER FOR US TREASURY SECURITIES**

BNY Mellon's Government Securities Services Corp. is the sole settlement agent for US government debt instruments, such as US Treasuries. This means all cash trades in or repo trades backed by Treasury collateral — whether cleared through FICC or traded bilaterally — settle through us.

This means that regardless of whether we are your repo counterparty or if you custody with us, your US Treasury trade will be passing through BNY Mellon at some stage during the transaction.

Through a BNY Mellon sponsored clearing arrangement, you're able to source, execute, settle and clear your repo trades all within our custody and clearing construct.

Keeping everything within our network enables you to maximize operational efficiency across the various elements of the cleared repo lifecycle, minimizing risk associated with moving elements of the workflow outside of BNY Mellon.

When you choose us, you access the entire repo ecosystem — all in one place.

Since BNY Mellon also acts as a clearing agent and custodian for FICC itself, cleared repo trades facing the clearing house never leave our internal system.

# Next Steps

Interested in exploring what sponsored repo clearing with BNY Mellon can do to help you to source financing or invest your cash?

## HERE IS HOW YOU GET STARTED

1. Contact your BNY Mellon relationship manager.
2. Determine with us whether the sponsored repo program is the right fit for your business.
3. Submit to a credit review process.
4. If you're approved to participate, sign the relevant legal documentation with us and FICC.
5. That's it — you're ready to participate in the sponsored membership program and begin enjoying the benefits of cleared repo.

# Contact Us

For more information on sponsored repo through BNY Mellon, please contact:

## **Kieran Lynch**

+1 212 815 2242

kieran.lynch@bnymellon.com

### **US**

## **Jim Palmer**

+1 212 815 2245

james.l.palmer@bnymellon.com

### **EMEA**

## **Simon Weetman**

+44 20 7163 4725

simon.weetman@bnymellon.com

BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation and may be used as a generic term to reference the corporation as a whole and/or its various group entities. This material and any products and services may be issued or provided under various brand names of BNY Mellon in various countries by duly authorized and regulated subsidiaries, affiliates, and joint ventures of BNY Mellon, which may include any of those listed below:

The Bank of New York Mellon, a banking corporation organized pursuant to the laws of the State of New York, whose registered office is at 240 Greenwich St, NY, NY 10286, USA. The Bank of New York Mellon is supervised and regulated by the New York State Department of Financial Services and the US Federal Reserve and is authorized by the Prudential Regulation Authority ("PRA") (Firm Reference Number: 122467).

The Bank of New York Mellon operates in the UK through its London branch (UK companies house numbers FC005522 and BR000818) at One Canada Square, London E14 5AL and is subject to regulation by the Financial Conduct Authority ("FCA") at 12 Endeavour Square, London, E20 1JN, UK and limited regulation by the PRA at Bank of England, Threadneedle St, London, EC2R 8AH, UK. Details about the extent of our regulation by the PRA are available from us on request.

The Bank of New York Mellon SA/NV, a Belgian limited liability company, registered in the RPM Brussels with company number 0806.743.159, whose registered office is at 46 Rue Montoyerstraat, B-1000 Brussels, Belgium, authorized and regulated as a significant credit institution by the European Central Bank ("ECB") at Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany, and the National Bank of Belgium ("NBB") at Boulevard de Berlaimont/de Berlaimontlaan 14, 1000 Brussels, Belgium, under the Single Supervisory Mechanism and by the Belgian Financial Services and Markets Authority (FSMA) at Rue du Congrès/Congresstraat 12-14, 1000 Brussels, Belgium for conduct of business rules, and is a subsidiary of The Bank of New York Mellon.

The Bank of New York Mellon SA/NV operates in Ireland through its Dublin branch at Riverside II, Sir John Rogerson's Quay Grand Canal Dock, Dublin 2, D02KV60, Ireland and is registered with the Companies Registration Office in Ireland No. 907126 & with VAT No. IE 9578054E. The Bank of New York Mellon SA/NV, Dublin Branch is subject to limited additional regulation by the Central Bank of Ireland at New Wapping Street, North Wall Quay, Dublin 1, D01 F7X3, Ireland for conduct of business rules and registered with the Companies Registration Office in Ireland No. 907126 & with VAT No. IE 9578054E.

The Bank of New York Mellon SA/NV operates in Germany through its Frankfurt branch "The Bank of New York Mellon SA/NV, Asset Servicing, Niederlassung Frankfurt am Main", and has its registered office at MesseTurm, Friedrich-Ebert-Anlage 49, 60327 Frankfurt am Main, Germany. It is subject to limited additional supervision by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany) under registration number 122721.

The Bank of New York Mellon SA/NV operates in the Netherlands through its Amsterdam branch at Strawinskylaan 337, WTC Building, Amsterdam, 1077 XX, the Netherlands. The Bank of New York Mellon SA/NV, Amsterdam Branch is subject to limited additional supervision by the Dutch Central Bank ("De Nederlandsche Bank" or "DNB") on integrity issues only (registration number 34363596). DNB holds office at Westeinde 1, 1017 ZN Amsterdam, the Netherlands.

The Bank of New York Mellon SA/NV operates in Luxembourg through its Luxembourg branch at 2-4 rue Eugene Ruppert, Vignitto Building – Polaris, L- 2453, Luxembourg. The Bank of New York Mellon SA/NV, Luxembourg Branch is subject to limited additional regulation by the Commission de Surveillance du Secteur Financier at 283, route d'Arlon, L-1150 Luxembourg for conduct of business rules, and in its role as UCITS/AIF depository and central administration agent.

The Bank of New York Mellon SA/NV operates in France through its Paris branch at 7 Rue Scribe, Paris, France 75009, France. The Bank of New York Mellon SA/NV, Paris Branch is subject to limited additional regulation by Secrétaire Général de l'Autorité de Contrôle Prudential et Première Direction du Contrôle de Banques (DCB 1), Service 2.61, rue Talbott, 75436 Paris Cedex 09, France (registration number (SIREN) Nr. 538 228 420 RCS Paris - CIB 137393).

The Bank of New York Mellon SA/NV operates in Italy through its Milan branch at Via Mike Bongiorno no. 13, Diamantino building, 5th floor, Milan, 20124, Italy. The Bank of New York Mellon SA/NV, Milan Branch is subject to limited additional regulation by Banca d'Italia - Sede di Milano at Divisione Supervisione Banche, Via Cordusio no. 5, 20123 Milano, Italy (registration number 03351).

The Bank of New York Mellon SA/NV operates in Denmark as The Bank of New York Mellon SA/NV, Copenhagen Branch, filial of The Bank of New York Mellon SA/NV, Belgium, and has its registered office at Tuborg Boulevard 12, 3. DK-2900 Hellerup, Denmark. It is subject to limited additional regulation by the Danish Financial Supervisory Authority (Finanstilsynet, Århusgade 110, 2100 København Ø).

The Bank of New York Mellon SA/NV operates in England through its London branch at 160 Queen Victoria Street, London EC4V 4LA, UK, registered in England and Wales with numbers FC029379 and BR014361. The Bank of New York Mellon SA/NV,

London branch is authorized by the ECB (address above) and is deemed authorised by the Prudential Regulation Authority (address above). Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website.

The Bank of New York Mellon SA/NV operates in Spain through its Madrid branch with registered office at Calle José Abascal 45, Planta 4ª, 28003, Madrid, and enrolled on the Reg. Mercantil de Madrid, Tomo 41019, folio 185 (M-727448). The Bank of New York Mellon, Sucursal en España is registered with Banco de España (registration number 1573).

Regulatory information in relation to the above BNY Mellon entities operating out of Europe can be accessed at the following website: <https://www.bnymellon.com/RID>.

**For clients located in Switzerland:** The information provided herein does not constitute an offer of financial instrument or an offer to provide financial service in Switzerland pursuant to or within the meaning of the Swiss Financial Services Act ("FinSA") and its implementing ordinance. This is

solely an advertisement pursuant to or within the meaning of FinSA and its implementing ordinance.

Please be informed that The Bank of New York Mellon and The Bank of New York Mellon SA/NV are entering into the OTC derivative transactions as a counterparty, i.e. it is acting for its own account or for the account of one of its affiliates. As a result, where you enter into any OTC derivative transactions with us, you will not be considered a "client" (within the meaning of the FinSA) and you will not benefit from the protections otherwise afforded to clients under FinSA.

The Bank of New York Mellon, Singapore Branch, is subject to regulation by the Monetary Authority of Singapore. The Bank of New York Mellon, Hong Kong Branch (a branch of a banking corporation organized and existing under the laws of the State of New York with limited liability), is subject to regulation by the Hong Kong Monetary Authority and the Securities & Futures Commission of Hong Kong.

For recipients of this information located in Singapore: This material has not been reviewed by the Monetary Authority of Singapore.

The Bank of New York Mellon is regulated by the Australian Prudential Regulation Authority and also holds an Australian Financial Services Licence No. 527917 issued by the Australian Securities and Investments Commission to provide financial services to wholesale clients in Australia.

**For clients located in Brunei:** The Bank of New York Mellon does not have a banking license under the Banking Order 2006 of Brunei, or capital market service license under the Securities Market Order 2013 to carry out banking business, or to provide investment advice to clients in, or to undertake investment business, in Brunei.

**For clients located in Malaysia:** None of the Bank of New York Mellon group entities, including the Bank of New York Mellon, Kuala Lumpur, Representative Office, are registered or licensed to provide, nor does it purport to provide, financial or capital markets services of any kind in Malaysia under the Capital Markets and Services Act 2007 of Malaysia or Financial Services Act 2013 of Malaysia.

**For clients located in New Zealand:** The Bank of New York Mellon does not hold a market services license under the Financial Markets Conduct Act 2013 of New Zealand and it is not a registered bank in New Zealand.

The Bank of New York Mellon has various other branches in the Asia-Pacific Region which are subject to regulation by the relevant local regulator in that jurisdiction.

The Bank of New York Mellon Securities Company Japan Ltd, as intermediary for The Bank of New York Mellon.

The Bank of New York Mellon, DIFC Branch, regulated by the Dubai Financial Services Authority ("DFSA") and located at DIFC, The Exchange Building 5 North, Level 6, Room 601, P.O. Box 506723, Dubai, UAE, on behalf of The Bank of New York Mellon, which is a wholly-owned subsidiary of The Bank of New York Mellon Corporation.

Past performance is not a guide to future performance of any instrument, transaction or financial structure and a loss of original capital may occur. Calls and communications with BNY Mellon may be recorded, for regulatory and other reasons.

Disclosures in relation to certain other BNY Mellon group entities can be accessed at the following website: <http://disclaimer.bnymellon.com/eu.htm>.

This material is intended for wholesale/professional clients (or the equivalent only), is not intended for use by retail clients and no other person should act upon it. Persons who do not have professional experience in matters relating to investments should not rely on this material. BNY Mellon will only provide the relevant investment services to investment professionals.

Not all products and services are offered in all countries.

This material, which may be considered advertising (but shall not be considered advertising under the laws and regulations of Brunei, Malaysia or Singapore), is for general information purposes only and is not intended to provide legal, tax, accounting, investment, financial or other professional advice on any matter. This material does not constitute a recommendation or advice by BNY Mellon of any kind. Use of our products and services is subject to various regulations and regulatory oversight. You should discuss this material with appropriate advisors in the context of your circumstances before acting in any manner on this material or agreeing to use any of the referenced products or services and make your own independent assessment (based on such advice) as to whether the referenced products or services are appropriate or suitable for you. This material may not be comprehensive or up to date and there is no undertaking as to the accuracy, timeliness, completeness or fitness for a particular purpose of information given. BNY Mellon will not be responsible for updating any information contained within this material and opinions and information contained herein are subject to change without notice. BNY Mellon assumes no direct or consequential liability for any errors in or reliance upon this material.

This material may not be distributed or used for the purpose of providing any referenced products or services or making any offers or solicitations in any jurisdiction or in any circumstances in which such products, services, offers or solicitations are unlawful or not authorized, or where there would be, by virtue of such distribution, new or additional registration requirements.

Any references to dollars are to US dollars unless specified otherwise.

This material may not be reproduced or disseminated in any form without the prior written permission of BNY Mellon. Trademarks, logos and other intellectual property marks belong to their respective owners.

Money market fund shares are not a deposit or obligation of BNY Mellon. Investments in money market funds are not insured, guaranteed, recommended or otherwise endorsed in any way by BNY Mellon, the Federal Deposit Insurance Corporation or any other government agency. Securities instruments and services other than money market mutual funds and off-shore liquidity funds are offered by BNY Mellon Capital Markets, LLC and The Bank of New York Mellon, London Branch.

The terms of any products or services provided by BNY Mellon to a client, including without limitation any administrative, valuation, trade execution or other services shall be solely determined by the definitive agreement relating to such products or services. Any products or ser-

vices provided by BNY Mellon shall not be deemed to have been provided as fiduciary or adviser except as expressly provided in such definitive agreement. BNY Mellon may enter into a foreign exchange transaction, derivative transaction or collateral arrangement as a counterparty to a client, and its rights as counterparty or secured party under the applicable transactional agreement or collateral arrangement shall take precedence over any obligation it may have as fiduciary or adviser or as service provider under any other agreement.

Investment in any floating rate instrument presents unique risks, including the discontinuation of the floating rate reference or any successors or fallbacks thereto. BNY Mellon does not guarantee and is not responsible for the availability or continued existence of a floating rate reference associated with any particular instrument. Before investing in any floating rate instrument, please evaluate the risks independently with your financial, tax and other advisors as you deem necessary.

Pursuant to Title VII of The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the applicable rules thereunder, The Bank of New York Mellon is provisionally registered as a swap dealer with the Commodity Futures Trading Commission and is a swap dealer member of the National Futures Association (NFA ID 0420990).

BNY Mellon (including its broker-dealer affiliates) may have long or short positions in any currency, derivative or instrument discussed herein. BNY Mellon has included data in this material from information generally available to the public from sources believed to be reliable. Any price or other data used for illustrative purposes may not reflect actual current conditions. No representations or warranties are made, and BNY Mellon assumes no liability, as to the suitability of any products and services described herein for any particular purpose or the accuracy or completeness of any information or data contained in this material. Price and other data are subject to change at any time without notice.

Pershing Prime Services is a service of Pershing LLC, member FINRA, NYSE, SIPC, a wholly owned subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"). Member of SIPC. Securities in your account protected up to \$500,000. For details, please see [www.sipc.org](http://www.sipc.org).

This material, which may be considered advertising (but shall not be considered advertising under the laws and regulations of Brunei, Malaysia or Singapore), is for general information purposes only and is not intended to provide legal, tax, accounting, investment, financial or other professional advice on any matter. This material does not constitute a recommendation by BNY Mellon of any kind. Use of our products and services is subject to various regulations and regulatory oversight. You should discuss this material with appropriate advisors in the context of your circumstances before acting in any manner on this material or agreeing to use any of the referenced products or services and make your own independent assessment (based on such advice) as to whether the referenced products or services are appropriate or suitable for you. This material may not be comprehensive or up to date and there is no undertaking as to the accuracy, timeliness, completeness or fitness for a particular purpose of information given. BNY Mellon will not be responsible for updating any information contained within this material and opinions and information contained herein are subject to change without notice. Information contained in this material obtained from third party sources has not been independently verified by BNY Mellon, which does not guarantee the completeness or accuracy of such information. BNY Mellon assumes no direct or consequential liability for any errors in or reliance upon this material.

The statements and opinions expressed by the speakers are those of the speakers as of the date of this presentation and do not necessarily represent the views of BNY Mellon.

Services provided in the United States by BNY Mellon Capital Markets, LLC, member of FINRA, SIPC and a wholly owned subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"). Services provided in the United Kingdom by The Bank of New York Mellon, London Branch, a wholly owned subsidiary of BNY Mellon. [The Bank of New York Mellon is a banking corporation organized pursuant to the laws of the State of New York, whose registered office is at 240 Greenwich St, NY, NY 10286, USA. The Bank of New York Mellon is supervised and regulated by the New York State Department of Financial Services and the US Federal Reserve and is authorized by the PRA. The Bank of New York Mellon operates in the UK through its London branch (UK Companies House numbers FC005522 and BR000818) at One Canada Square, London E14 5AL and is subject to regulation by the FCA at 12 Endeavour Square, London, E20 1JN, UK and limited regulation by the PRA at Bank of England, Threadneedle St, London, EC2R 8AH, UK. Details about the extent of our regulation by the PRA are available from us on request. The Bank of New York Mellon's Firm Reference Number is 122467. Pursuant to Title VII of The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the applicable rules thereunder, The Bank of New York Mellon is provisionally registered as a swap dealer with the Commodity Futures Trading Commission and is a swap dealer member of the National Futures Association (NFA ID 0420990).] Please contact your BNY Mellon representative for services available outside the United States and the United Kingdom.

**For clients located in Jordan:** These materials do not constitute a public offering prospectus under the laws of Jordan. These materials are intended solely for use on a confidential basis by those persons to whom it is transmitted. These materials will be transmitted to potential investors in Jordan: (a) upon their request and confirmation that they understand that the contemplated securities have not been approved or licensed by or registered with the Jordan Securities Commission or any other relevant licensing authorities or governmental agencies in Jordan; and (b) on the condition that this document and the information contained herein will not be provided to any person other than the original recipient. These materials are not for general circulation in Jordan and may not be reproduced or used for any other purpose. The investments being marketed through this material have not been meant to be offered, sold or delivered in Jordan. The contemplated securities described in these materials are not intended to be offered, sold or delivered in Jordan.

This material may not be distributed or used for the purpose of providing any referenced products or services or making any offers or solicitations in any jurisdiction or in any circumstances in which such products, services, offers or solicitations are unlawful or not authorized, or where there would be, by virtue of such distribution, new or additional registration requirements.

The Bank of New York Mellon, member of the Federal Deposit Insurance Corporation ("FDIC").