

# Interpretation Memo

**NYSE**

New York  
Stock Exchange, Inc.

20 Broad Street  
New York, NY 10005

Member Firm Regulation

Number 98-9  
July 16, 1998

**PLEASE ROUTE TO FINANCIAL AND OPERATIONS OFFICER/PARTNER  
AND COMPLIANCE DEPARTMENT**

**TO: MEMBER, MEMBER ORGANIZATIONS AND HANDBOOK SUBSCRIBERS**

**SUBJECT: Repo and Reverse Repo Deficits in GSCC's Netting System**

Government Securities Clearing Corporation (GSCC) is registered with the Securities and Exchange Commission ("Commission") as a securities clearing agency which provides automated trade comparison, netting, and settlement services for U.S. government securities. GSCC's netting system aggregates and matches deliver and receive obligations resulting from trades submitted by members of its netting system ("Netting Members") and totals and nets on a daily basis each Netting Member's buy and sell cash activity, treasury auction purchases, and repos in a security to establish a single net position as long, short, or flat. GSCC becomes primarily obligated as the new counterparty for each transaction and GSCC guarantees settlement of all repos that enter its netting system. Through its daily mark to the market process, GSCC brings net positions that are not due for settlement from contract value to current market value each day. This process eliminates each Netting Member's deficits on repo contracts on a daily basis.

On April 1, 1998 the Commission issued a no-action letter to GSCC addressing the appropriate treatment under SEA Rule 15c3-1 for repurchase and reverse repurchase transactions that have been submitted by Netting Members into GSCC's system. GSCC Netting Members need not deduct from their net worth repo and reverse repo deficits, outstanding one business day or less, arising from repo and reverse repo agreements that are netted and guaranteed by GSCC as part of GSCC's netting system. A copy of the no-action letter is attached for your reference.

Questions regarding this interpretation memo should be directed to your Finance Coordinator.

Attached are updated handbook pages which are being distributed as replacements for existing pages.

SEC Rule & Reference

15c3-1(c)(2)(iv)(F)(3)(ii)(C)/05

Remove Pages

163-164

Add Pages

163-164

RETAIN ALL INTERPRETATION/INFORMATION MEMOS FOR FUTURE REFERENCE