

# DLR Functionality, Use Cases & Benefits –Targeted Solution

## Simplification and Efficiency through Smart Contract methodology

### FICC Sponsored Repo Consolidated Box

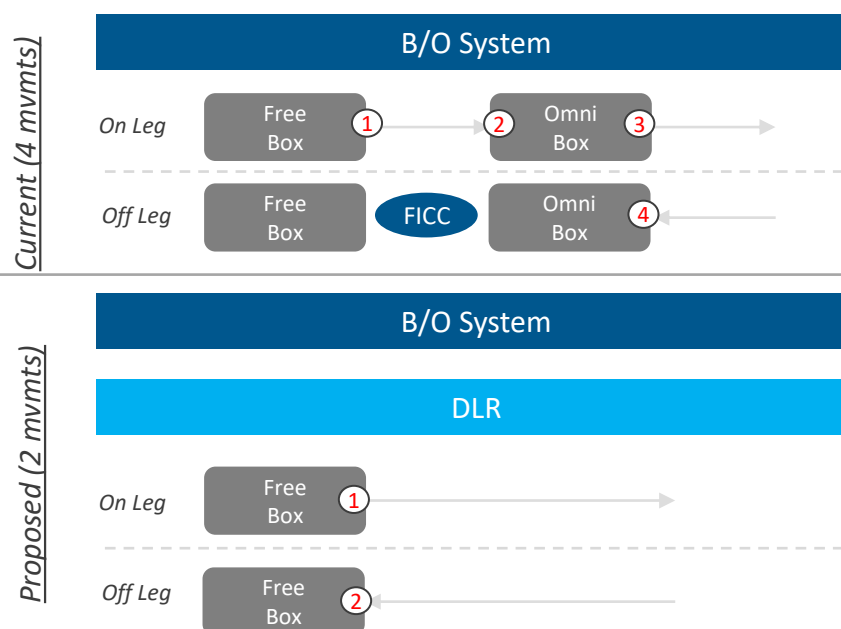
#### FUNCTIONALITY

- Eliminate the Open Leg movements between Free Box and Omni Box at BNYM
- DLR will track the ownership of collateral eliminating the need for physical movements at BNYM

#### BENEFITS

- Reduced clearing costs through the elimination of collateral movement
- Reduction in TMPG payables with greater ability to cover short-side fails
- Reduced capital reserves through more efficient use of Intraday Liquidity

Reduce BNYM movements from 4 to 2 for a 50% reduction in transaction Fees



Today Sponsored Member repo activity flows through a shadow entity of Impact, where the Sponsoring Member acts as processing agent on their behalf, passing that Sponsored Members clearing and settlement activity through an Omnibus Box at BNYM

In the DLR model, separate book and records are maintained as the Sponsoring Member continuing to process the Sponsored Members activity in a separate Impact instance, but the clearing and settlement activity is consolidated into the Sponsoring Members main Free Box at BNYM with DLR tracking inventory position and ownership

#### SOE

- Sponsored Member books SR Repo trade in Front Office System, sending messages to FICC for themselves and on behalf of the Sponsored Member
- Trades instructions between main Free Box and Omni box are suppressed from BNYM
- On-leg StreetSide trade facing the Sponsored Members custodian is sent to Sponsoring Members main Free Box
- Off-leg internal trades net with FICC in their respective accounts, bonds settled with Sponsored Member directly in Sponsoring Members main Free box