



**Acceptable Securities and Haircut Rates**

**- Updated November, 2003 -**

Listed below are the acceptable securities and their corresponding haircut rates for original margin collateral. Haircuts are applied to all non-cash collateral (except letters of credit) and are set to various percentages, depending on the security type and maturity. In addition, certain securities will be accorded additional margin value based on the accrued interest component. All original margin collateral must have accurate, reliable, and timely price information that are available to The Clearing Corporation in order to be accepted.

The Clearing Corporation may adjust the margin value and/or the haircut rate of a particular security at any time if it determines, in its sole discretion, market conditions warrant such action. In addition, The Clearing Corporation reserves the right to accept or reject any original margin collateral based on, but not limited to: portfolio concentration limits, security price, market volatility, or limited secondary markets.

- Debt Instruments: Part 1 of 2 -

Security Type	Years Remaining To Maturity			
	- 1 Year	1 - 5 Yrs	5 - 10 Yrs	10 Years +
<b>U.S. Government Securities</b>				
Treasury Bills, Notes, and Bonds	0.20%	1.00%	2.00%	3.00%
Treasury Strips	0.30%	1.25%	3.00%	6.00%
<b>Government Sponsored Enterprise (GSE)</b>	- 1 Year	1 - 5 Yrs	5 - 10 Yrs	10 Years +
Fannie Mae (FNMA), Freddie Mac (FHLMC), Federal Home Loan Bank (FHLB), and Federal Farm Credit Banks (FFCB)	0.50%	2.00%	4.00%	6.00%
<b>Foreign Sovereign Debt</b>	- 1 Year	1 - 5 Yrs	5 - 10 Yrs	10 Years +
<i>Canada</i>				
Bonds and Bills	3.00%	3.50%	4.50%	6.00%
<i>France</i>				
Bonds (OAT), Bills, and Notes (BTAN, BTF)	3.00%	3.50%	4.50%	6.00%
<i>Germany</i>				
Bonds (Bunds, Kassenobligation), Bills (Bubils), and Notes (Schatzs)	3.00%	3.50%	4.50%	6.00%
<i>United Kingdom</i>				
Gilts and Bills	3.00%	3.50%	4.50%	6.00%

Currently, The Clearing Corporation will only accept sovereign debt through Bank One (London) if such debt is registered as eligible to be transferred via the Euroclear or Clearstream systems. Bank One (London) has advised us that the above listed security types meet this criteria. Please note that clearing participants will be responsible for all taxes and fees that are assessed in connection with the deposit, holding and withdrawal of these securities.



- Debt Instruments: Part 2 of 2 -

Security Type	Years Remaining To Maturity			
	- 1 Year	1 - 5 Yrs	5 - 10 Yrs	10 Years +
<b>Municipal Securities</b>				
'AAA' / Insured	1.50%	3.00%	5.00%	7.00%
'AA'	2.00%	4.00%	6.00%	8.00%
'A'	3.00%	5.00%	7.00%	9.00%
<b>Corporate Debt</b>				
'AAA'	2.00%	3.00%	4.00%	6.00%
'AA'	3.00%	4.00%	5.00%	7.00%
'A'	4.00%	5.00%	7.00%	10.00%
'BBB'	5.00%	6.00%	10.00%	15.00%
<b>Commercial Paper</b>				
'A1' / 'P1'	4.00%			

The Clearing Corporation will accept U.S. dollar-denominated domestic issues of the aforementioned securities, including: variable interest rate securities (floaters), zero coupons, and those containing embedded options.

The Clearing Corporation allows no more than 25% of any clearing participant's margin requirement (or no more than \$1,000,000 if 25% of the margin requirement is less than \$1,000,000) to be satisfied with municipal or corporate debt securities.

The Clearing Corporation will not accept debt instruments from clearing participants issued by their parent or affiliated companies.

- Letters of Credit -

**Issuing Bank**

- Banco Santander Central Hispano, S.A. (NY Branch)
- Bank of America
- Bank of Montreal
- Bank One, NA
- BNP Paribas
- Caixa Geral de Depositos (NY Branch)
- CoBank, ACB
- Commerzbank AG (NY Branch)
- Danske Bank
- Harris Trust and Savings Bank
- IntesaBci (NY Branch)
- Northern Trust Company
- SANPAOLO IMI SpA
- Svenska Handelsbanken
- UBS

**Guidelines**

- LC's are not subject to a haircut.
- Each LC posted as original margin must be valid for a period no more than 1 year.
- No bank may issue letters of credit for the benefit of an affiliated clearing participant.
- Each bank may issue total LC's up to an amount determined by the Board of Governors. This limit may affect a clearing participant's ability to post a LC from a particular bank.



- Money Market Mutual Funds -

**Platform Availability**

**Acceptable Funds (Subject To 2% Haircut)**

**Identifier**

Platform Availability			Fund Name and Share Class	CUSIP
Brown Brothers	Harris Bank	Fund Directly		
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		AIM - STIC Liquid Assets Portfolio (Cash Management)	825251788
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	BlackRock Provident Institutional - TempCash	09248U643
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	BlackRock Provident Institutional - TempFund	09248U619
<input checked="" type="checkbox"/>			Brown Brothers Harriman Common Settlement Fund	05528A109
<input checked="" type="checkbox"/>			Dreyfus Cash Management Fund (Institutional Shares)	26188J206
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		Federated Prime Obligations Fund (Institutional Shares)	60934N203
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		Fidelity Investments Institutional MMF - Domestic Portfolio	316175405
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		Goldman Sachs Financial Square Money Market Fund	38141W232
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		Goldman Sachs Financial Square Prime Obligations Fund	38141W364
	<input checked="" type="checkbox"/>		Harris Insight Fund (Exchange Class)	414548412
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		J.P. Morgan Prime Money Market Fund (Institutional Shares)	62826N770
<input checked="" type="checkbox"/>			Merrill Lynch Institutional Fund	590901104
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		Merrill Lynch Premier Institutional Fund	589978105
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		NationsBanc Cash Reserves (Capital Shares)	63859B105
<input checked="" type="checkbox"/>			NationsBanc Money Market Reserves (Capital Shares)	63859B790
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		One Group Institutional Prime Money Market Fund	68231N206
<input checked="" type="checkbox"/>			Rydex US Government Money Market Fund (Institutional Shares)	78355E817
<input checked="" type="checkbox"/>			UBS Select Money Market Fund (Institutional Shares)	90262Y505

The Clearing Corporation's acceptance of a Fund's shares for margin purposes does not constitute a representation that such Fund complies with CFTC Rule 1.25 or a recommendation or advice with respect to an investment in such Fund.

No more than 5% of the total number of outstanding shares of a fund will be accepted from any clearing participant as original margin collateral.

Money Market Funds may be deposited with the Clearing Corporation only in increments of 1000 shares. Depending on the practices of a given Fund, such shares will either be transferred to a Clearing Corporation account established at the Fund, or deposited in the existing Clearing Corporation custody account at a settlement bank.

Clearing participants investing in Funds using the latter method will be required to maintain at least one demand deposit account at that settlement bank (and supply the account number(s) to The Clearing Corporation). Such clearing participants should also contact the settlement bank directly to determine what, if any, additional documents accounts may be required.



## Guidelines

Only common stock listed on a major exchange that has last sale reporting pursuant to a consolidated transaction reporting plan or that trade over the counter and are designated a National Market System security in addition to being eligible for processing within the DTC system.

All stock posted as original margin must have a minimum price of \$10 per share and be rated at least 'BBB' by Standard and Poor's or Moody's. There will be no margin credit granted if the share price or rating should fall below the prescribed levels.

The Clearing Corporation will not accept common stock from clearing participants issued by their parent or affiliated companies.

The Clearing Corporation will accept no more than 25% of any clearing participant's margin requirement (or no more than \$1,000,000 if 25% of the margin requirement is less than \$1,000,000) in the form of common stock.

Equity securities that are delivered for original margin must be free and clear of any liens and must be received directly from the clearing participant's DTC account.

Clearing participants need to have an account with the DTC and must notify the Risk Management Department and the Treasury Operations Department of its request to participate in the program. The following accounts have been set up by The Clearing Corporation with DTC to facilitate this process:

The Clearing Corporation's DTC House Acct. #838

The Clearing Corporation's DTC Customer Account #839

Haircut

30%

- Common Stock -

When a delivery is received through the DTC's system the entire title and ownership interest in the equity position will be transferred over to The Clearing Corporation. Cash dividends, voting rights, and other cash payments on equities credited to The Clearing Corporation's DTC account are assigned by The Clearing Corporation to the delivering clearing participant. Stock splits and other distributions that relate to the same equity for which the distribution date comes after the payable date will be credited to The Clearing Corporation's DTC account.

To initiate a transaction in the Equity for Original Margin Program, clearing participants are asked to notify The Clearing Corporation's Treasury Operations Department by 9:00 a.m. (CT) and to use the DTC system to deliver a free pledge of securities to the appropriate Clearing Corporation DTC account by 11:00 a.m. Clearing Corporation staff will review all requests to post equity securities as original margin via the DTC terminal system and if the equity securities comply with The Clearing Corporation's criteria, the clearing participant's original margin position will be updated for the same day credit. The common stock will be priced daily.

The Clearing Corporation may decrease the margin value of a particular stock at any time if the market conditions warrant such action.



## Specific Collateral Examples and General Hints

### Security Type

#### U.S. Treasury Bills

<i>CUSIP</i>	<i>Maturity</i>
912795PB1	12/18/2003
912795PC9	12/26/2003
912795PE5	1/8/2004
912795PF2	1/15/2004
912795PH8	1/29/2004

#### U.S. Treasury Strips

<i>CUSIP</i>	<i>Maturity</i>
912833KU3	2/15/2019
912833KV1	5/15/2019
912833LJ7	8/15/2022
912803BD4	11/15/2024
912803BM4	11/15/2027

#### U.S. Notes and Bonds

<i>CUSIP</i>	<i>Maturity</i>
912810FE3	8/15/2028
912810FF0	11/15/2028
912810FG8	2/15/2029
912810FM5	5/15/2030
912810FP8	2/15/2031

#### Government Sponsored Enterprise Debt

<i>CUSIP</i>	<i>Maturity</i>
3134A4JN5	1/15/2004
31364CQ43	6/2/2004
31331H6D4	1/19/2005
3134A4NW0	3/15/2007
31359MFS7	6/15/2010

Many questions tend to surface regarding Government Sponsored Enterprise (GSE) or "agency" debt. As a general guideline, The Clearing Corporation will gladly accept both bullet and callable fixed and floating rating obligations of Fannie Mae, Freddie Mac, Federal Home Loan Banks, and Federal Farm Credit Banks of the following types: Discounts, Capital Debentures, Medium-Term Notes, Zero Coupons, Consolidated Bonds, and Strips. The Clearing Corporation will not accept any securities supported by an underlying pool of assets, such as: pass-throughs, CMOs, MBSs, etc.

For any questions regarding specific collateral pledges, please contact the Risk Management Department:

Bernie Mattes (312) 986-3444

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