



Securities Based Swaps (SBS) Solution

Introduction & Background: On June 21, 2019, CFTC and SEC adopted its Security Based Swap (SBS) rules laying out capital, margin and segregation requirements for broker-dealers that engage in SBS. DASH RegTech (DRT) has completed the development of a new and robust SBS haircut add-on offering that will complement our 'gold standard' LDB suite of products.

Required Compliance Date: **Oct 6, 2021**

Product Availability & Testing: The SBS solution is already available for beta testing on DASH 360R. For desktop clients, the upgraded FIH module w/SBS add will be available Aug 31, 2021.

Independent (third-party) validation: Besides actively collaborating with clients to solidify our understanding of the revised SBS rules, DRT engaged a reputed global business advisory firm to thoroughly review and validate SBS data assumptions, rules interpretation, netting logic and requirements for final implementation.

Usage and In-Scope Products: The system will consider Credit Default Swaps (single name and index) and Interest Rate Swaps in the position file and optimize the haircut calculation in accordance with the standardized matrix proposed under Exchange Act Rule 15c3-1 (as amended) and CFTC's 17 CFR. In order to consume DRT's SBS solution, users will have to subscribe both to our FIH module and the SBS add-on solution.

1. **Credit Default Swaps (CDS)** are charged per the maturity/basis spread matrix shown in the final SEC rule 15c3-1. Hedging relief will be given for long the actual security/long a CDS on that security or short the actual security/short a CDS on that security. The rule allows netting of long/short CDS swaps that reference the same entity/obligation and credit event trigger, also in adjacent maturity bands. In addition, SBS is capable of processing CDS hedging vs underlying security, given that both products reference same underlying CUSIP and an industry/credit event hedge using one of the trigger codes.
2. **CDS Index Swaps:** CDS indices will be charged per the maturity/basis spread matrix for CDSI Swaps as per CFTC rule. The system will recognize relief for long/short CDS Index Swaps on the same index by including data that satisfy the requirements of the rule regarding maturity, entity code, ICODE and trigger code.
3. **Interest Rate Swaps (IRS):** The user will be responsible for importing a synthetic IRS position. IRS will be charged per the maturity matrix referenced in 15c3-1 (A). To abide by the rule's 0.125% minimum IRS charge, the system will apply the 0.125% charge to the greater of long/short IRS in each government bond maturity subcategory on the hedged positions. The system will recognize relief for long/short IRS netting versus Government securities.



Covered Rules	Covered Entities	Product(s)
CFTC Rules (CDSI + IRS)*	Non-bank SDs	SBS
SEC Rules (CDS + IRS)	<u>Margin Requirements:</u> Non-bank SBSDs, including Broker-Dealer SBSDs <u>Capital Requirements:</u> Non-bank SBSDs, including Broker-Dealer SBSDs Broker-dealers with respect to SBS and swaps <u>Segregation Requirements:</u> All SBSDs, including bank SBSDs (subject to exemptions) Broker-dealers with respect to SBS	

**For broker-dealers that have CDSI positions and do not have to report to the CFTC, SEC would reference CFTC's rule for filing requirements (in situations when applicable).*

Data Requirements:

Please contact DASH's support team (support@dashregtech.com) regarding file formats and SBS data requirements.