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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2024 - * 009

Amendment No. (req. for Amendments *)

Filing by Fixed Income Clearing Corporation

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule <input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6)		
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Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010
Section 806(e)(1) *

Section 806(e)(2) *

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Modify the GSD Rules Relating to the Adoption of a Trade Submission Requirement

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * [Redacted] Last Name * [Redacted]

Title * [Redacted]

E-mail * RuleFilingAdmin@dtcc.com

Telephone * [Redacted] Fax [Redacted]

Signature

Pursuant to the requirements of the Securities Exchange of 1934, Fixed Income Clearing Corporation has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 06/12/2024

(Title *)

By [Redacted]

[Redacted]

(Name *)

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Date: 2024.06.12
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Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *

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Narrative - GSD Mandate, Membershi

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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Exh 1A - GSD Mandate, Membership

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2- Notices, Written Comments, Transcripts, Other Communications

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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Exh 5 - GSD Mandate, Membership St

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) The proposed rule change of Fixed Income Clearing Corporation (“FICC”) is attached hereto as Exhibit 5 and consists of modifications to FICC’s Government Securities Division (“GSD”) Rulebook (“Rules”)¹ to (1) adopt a requirement that each Netting Member submits all eligible secondary market transactions, both for repurchase agreements and certain categories of cash transactions, to which it is a counterparty to FICC for clearance and settlement and define the scope of such trade submission requirement; (2) adopt ongoing membership requirements and other measures that would facilitate FICC’s ability to identify and monitor Netting Members’ compliance with the trade submission requirement, and adopt fines and other disciplinary actions to address a Netting Member’s failure to submit transactions in compliance with that requirement; (3) enhance the Rules relating to the initial qualifications and ongoing standards for membership to improve FICC’s ability to manage the credit risks presented by Netting Members; and (4) make other revisions to the Rules to clarify, conform and enhance the disclosures of the Rules, as described below.

These proposed rule changes are primarily designed to comply with the requirements of Rule 17ad-22(e)(18)(iv)(A) and (B) under the Securities Exchange Act of 1934, as amended (“Act”), as described below.²

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by FICC’s Board of Directors (“Board”) on February 14, 2024.

3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

Executive Summary

On December 13, 2023, the U.S. Securities and Exchange Commission (“Commission”) adopted amendments to the covered clearing agency standards that apply to covered clearing

¹ Terms not defined herein are defined in the Rules, available at www.dtcc.com/~media/Files/Downloads/legal/rules/ficc_gov_rules.pdf.

² 17 CFR 240.17ad-22(e)(18)(iv)(A) and (B). See Securities Exchange Act Release No. 99149 (Dec. 13, 2023), 89 FR 2714 (Jan. 16, 2024) (“Adopting Release”, and the rules adopted therein referred to herein as “Treasury Clearing Rules”).

agencies that clear transactions in U.S. Treasury securities, including FICC.³ These amendments require, among other things, that FICC establish objective, risk-based, and publicly disclosed criteria for participation that (i) require FICC's Netting Members submit for clearance and settlement all of the eligible secondary market transactions to which they are a counterparty; and (ii) identify and monitor Netting Members' submission of eligible secondary market transactions to which they are a counterparty, including how FICC would address a failure to submit transactions in accordance with this requirement.⁴

Therefore, under the Treasury Clearing Rules, FICC must require its Netting Members, as direct participants, to submit all eligible secondary market transactions to which they are a counterparty to it for central clearing. FICC is also obligated to adopt provisions that would facilitate its monitoring of Netting Members' compliance with the trade submission requirement and how it would address a Member's failure to comply. As described below, the proposed rules are designed to comply with those requirements.

First, the proposed changes would adopt an ongoing membership requirement that all Netting Members submit to FICC for clearance and settlement eligible secondary market transactions to which they are a party in a new GSD Rule 5 and would specify the scope of this requirement by defining "Eligible Secondary Market Transactions". The proposed rules would adopt the definition of Eligible Secondary Market Transactions and related definitions from the Treasury Clearing Rules,⁵ and would conform certain aspects of those defined terms to the GSD Rules to provide Netting Members with clarity on the scope of this trade submission requirement. FICC would also incorporate language into the defined terms that provides further clarification of the scope of this requirement, as described in greater detail below.

Second, the proposed changes would adopt provisions to enable FICC to identify and monitor Netting Members' ongoing compliance with the proposed trade submission requirement. These provisions would include affirmative obligations of Netting Members to notify FICC of non-compliance and confirm their ongoing compliance with this requirement. These provisions would also provide FICC with the authority to request information or review a Netting Member's books and records to monitor and verify, as needed, such compliance. Therefore, FICC's proposal would require Netting Members to utilize their existing frameworks for monitoring adherence to applicable regulatory obligations – specifically, their compliance and independent audit functions – to monitor and affirm their ongoing compliance with the trade submission requirement. FICC's authority to request information and examine a Netting Member's books and records would allow FICC to take affirmative action when it deems such action necessary to fulfill its requirement to identify and monitor Netting Members' compliance with the requirement.

The proposed rule changes would also adopt disciplinary measures FICC would take if a Netting Member fails to meet its obligations under the new rules, which would include

³ Supra note 2.

⁴ Id. 17 CFR 240.17ad-22(e)(18)(iv)(A), (B).

⁵ Supra note 2. See also 17 CFR 240.17ad-22(a).

continuing fines until the failure has been remediated and notifications to applicable regulatory authorities. This fine would be incorporated into the GSD Fine Schedule.

In adopting the Treasury Clearing Rules, the Commission recognized the benefits central clearing brings to the markets served by a central counterparty, like FICC, and, consequently, the importance of the risk management measures employed by central counterparties.⁶ Therefore, in connection with adopting the trade submission requirement, these proposed rule changes would also include enhancements to the initial qualifications for direct membership with GSD and the ongoing membership obligations of Netting Members. The proposed enhancements would improve the clarity and transparency of the GSD Rules regarding the standards for membership and would provide FICC with additional measures to strengthen its ability to manage the counterparty credit risks that are presented by its Netting Members.

Finally, the proposed rule changes would include non-substantive revisions to re-organize, clarify and conform the GSD Rules, as described below.

Background

FICC, through GSD, serves as a central counterparty and provider of clearance and settlement services for the U.S. government securities markets. GSD's central counterparty services are available directly to entities that are approved to be Netting Members and indirectly to other market participants through its indirect access models – the Sponsored Service or correspondent clearing / prime broker services.⁷ FICC's direct participants include brokers, dealers, inter-dealer brokers and both U.S. and non-U.S. banks. Currently, other market participants, including investment funds, pension plans and other buy-side institutions, generally access GSD's central counterparty services through one of its indirect access models.

Through GSD, FICC provides real-time trade matching, clearing, risk management and netting for cash purchases and sales of eligible securities, as well as repurchase and reverse repurchase transactions involving eligible securities ("Repo Transactions"). Eligible securities include securities issued by the U.S. Treasury Department ("U.S. Treasury Securities") and

⁶ Supra note 2.

⁷ See Rule 2 (Members) (providing that FICC shall make its services available to entities that are approved to be Members of GSD); Rule 3A (Sponsoring Members and Sponsored Members) (describing the Sponsored Service) and Rule 8 (Executing Firm Trades) (currently describing the correspondent clearing / prime broker services), supra note 1. FICC has separately proposed enhancements to its access models, including revisions to rename the correspondent clearing / prime broker service as the Agent Clearing Service, designed to facilitate greater access to its services. See Securities Exchange Act Release No. 99817 (Mar. 21, 2024), 89 FR 21362 (Mar. 27, 2024) (SR-FICC-2024-005).

securities issued or guaranteed by U.S. government agencies and government sponsored enterprises.⁸

In its role as central counterparty, FICC novates eligible transactions that are submitted to it for clearance and settlement. Novation is defined in the Rules as the termination of deliver, receive, and related payment obligations between Netting Members and the replacement of such obligations with identical obligations to and from FICC, pursuant to the provisions of the Rules, and occurs at the time a submitted transaction is compared by FICC.⁹ As recognized by the Commission in the Adopting Release, by “novating transactions (that is, becoming the counterparty to both sides of a transaction), [FICC] addresses concerns about counterparty risk by substituting its own creditworthiness and liquidity for the creditworthiness and liquidity of the counterparties.”¹⁰

The Adopting Release identifies the important operational, risk management and other benefits of central clearing, which include the reduction in counterparty credit risk through novation of trades by the central counterparty, centralized default management, and efficiencies provided by multilateral netting.¹¹ The efficacy of FICC’s own risk management framework is critical to its ability to provide these benefits to the market it serves. This framework includes initial and ongoing participation criteria and requirements relating to financial resources, creditworthiness and operational capability.

These membership standards are designed to limit the risks a Netting Member may present to FICC and the other Netting Members by ensuring, among other things, that applicants to be Netting Members have the financial and operational capabilities to meet the obligations of membership on an ongoing basis. The Rules also provide FICC with the ability to monitor Netting Members’ adherence to continued suitability for membership. These requirements are designed to balance appropriate risk management with providing fair and open access by market participants; they are objective, risk-based, and are set forth in Rules 2A and 3.

Description of Proposed Rule Changes

1. Adopt Trade Submission Requirement and Define Scope of Requirement

The proposed rule changes would adopt an ongoing membership obligation that each Netting Member submit to FICC for clearance and settlement all “Eligible Secondary Market Transactions” to which it is a counterparty. This requirement would be added to a new Rule 5¹²

⁸ See definition of “Eligible Securities” in Rule 1, supra note 1.

⁹ See definition of “Novation” in Rule 1, supra note 1.

¹⁰ Supra note 2, at 8-9.

¹¹ Supra note 2, at 14-17.

¹² The rules currently in Rule 5, describing the Comparison System, would be moved to a new Rule 6. References to Rule 5 would be updated throughout the Rules to reflect this

and would be adopted to comply with the amendments to Rule 17ad-22(e)(18)(iv)(A) under the Act.¹³

Rule 5 would also provide that Netting Members are permitted, but not required, to submit to FICC transactions that are outside the scope of the new trade submission requirement.

a. Scope of Trade Submission Requirement

The proposed rule changes would specify the scope of the trade submission requirement by adopting the definition of “Eligible Secondary Market Transactions” and other related definitions from the Treasury Clearing Rules.

The Commission’s definition of Eligible Secondary Market Transactions includes secondary market transactions in U.S. Treasury Securities where the transaction is of a type that is accepted by FICC for clearance and settlement and is one of three specified types of transactions. FICC would adopt this language as codified in the definition of “Eligible secondary market transaction” in Rule 17ad-22(a) under the Act,¹⁴ with revisions to conform the language of the definition to defined terms in the Rules. Specifically, FICC would adopt a new defined term for “U.S. Treasury Securities” in Rule 1 and would use this term in the definition. FICC would also replace reference to “clearance and settlement” in the definition with its defined term for “Novation”, which, as described above, encompasses its central counterparty role in the clearance and settlement process.

Rule 5 would further provide, as required by the Treasury Clearing Rules, that Eligible Secondary Market Transactions that meet the initial criteria must also be one of three types of transactions: (1) any Repo Transaction collateralized by U.S. Treasury Securities in which at least one counterparty is a Netting Member; or (2) purchase or sale cash transactions in U.S. Treasury Securities between a Netting Member and (a) any counterparty if the Netting Member brings together multiple buyers and sellers using a trading facility (such as a limit order book) and is a counterparty to both the buyer and seller in two separate transactions; or (b) a Broker or Dealer. Again, FICC would adopt this language from the statutory definition of Eligible Secondary Market Transactions, with revisions only to incorporate defined terms from the Rules. For example, FICC would replace references to “direct participant” in the statutory definition of Eligible Secondary Market Transactions with “Netting Member” and would use the defined terms for “Broker” and “Dealer” from Rule 1.

FICC would also adopt new defined terms to improve the clarity of the scope of the trade submission requirement. Such revisions would not change the scope or applicability of the

change. See definitions of “Novate” and “Yield Comparison Trade” in Rule 1; Sections 6 and 7 of Rule 3A; and Section 9 of Rule 3B. Supra note 1.

¹³ 17 CFR 240.17ad-22(e)(18)(iv)(A).

¹⁴ 17 CFR 240.17ad-22(a).

statutory definition of Eligible Secondary Market Transactions and would be intended only to provide clarity regarding the applicability of this term within the Rules.

First, FICC would define “Treasury Repo Transaction” in Rule 1 to mean a Repo Transaction collateralized by Eligible Treasury Securities. FICC would use this new defined term in the definition of Eligible Secondary Market Transactions. Second, FICC would define “Buy/Sell Transactions” in Rule 1 to mean a Transaction that is either the purchase or sale of an Eligible Netting Security in exchange for cash for which the trade data is submitted to FICC for Novation. FICC would use this term in the definition of Eligible Secondary Market Transactions.¹⁵

The statutory definition of Eligible Secondary Market Transactions also specifically excludes four types of Repo Transactions. FICC would similarly adopt these exclusions, updating the language only to incorporate defined terms to improve the clarity of the requirement. For example, FICC would use the proposed definition of “Treasury Repo Transaction” in each of the four exclusions from the definition of Eligible Secondary Market Transactions.

The statutory exclusions to the trade submission requirement that FICC would include in Rule 5 are (1) Treasury Repo Transactions and Buy/Sell Transactions in which one of the counterparties is a central bank, a sovereign entity, an international financial institution, or a natural person; (2) Treasury Repo Transactions in which one of the counterparties is either a U.S. covered clearing agency, a derivatives clearing organization or a foreign central counterparty; (3) Treasury Repo Transactions in which one of the counterparties is a state or local government; and (4) Treasury Repo Transactions in which one of the counterparties is an “Affiliated Counterparty” of the Netting Member, provided that the affiliate submits to FICC for Novation all other Treasury Repo Transactions to which it is a counterparty.

For the first exclusion, FICC would adopt the statutory definitions of “Central Bank”, “Sovereign Entity”, “International Financial Institution” and “Local Government” into Rule 1 from Rule 17ad-22(a) under the Act, without any alteration to these definitions.¹⁶

For the fourth exclusion from the trade submission requirement, FICC would adopt the statutory definition of “Affiliated Counterparty” but would include in this definition additional language to allow the definition to interoperate with the Commission’s application and interpretation of this particular exclusion. Specifically, FICC would provide that an “Affiliated Counterparty” means a counterparty that meets the specified criteria “*or as otherwise may be provided for by the SEC pursuant to the Exchange Act*”. FICC is proposing to include this language to make clear that this defined term is intended to incorporate the Commission’s own application and interpretation of this exclusion from the scope of the trade submission

¹⁵ The term “Buy/Sell Transaction” would also be used in the definition of “Bilateral Transaction” and “Brokered Transaction” in Rule 1 to clarify the meaning of those terms and would replace lowercase uses of this term in other places in the Rules with the proposed defined term. Supra note 1.

¹⁶ 17 CFR 240.17ad-22(a).

requirement.¹⁷ The additional language proposed to the defined term would allow FICC to continue to apply the Commission's interpretation of this definition, including any further interpretation that the Commission may provide through future rulemaking.

FICC is also proposing to clarify language in the Rules to make clear that a bank and its branches must all apply under the same membership, as one Bank Netting Member. This proposed revision would clarify that a branch and its parent bank are considered the same legal entity under the GSD Rules and not separate affiliates. The proposed changes would remove reference to a bank applying for membership through its branch or agency from various places in Rules 2A and 3, including (1) updating eligibility to be a Bank Netting Member to remove the limitation that non-U.S. banks participate through a U.S. branch in Section 3(a)(i) of Rule 2A; (2) updating the description of financial requirements applicable to Foreign Persons that are banks to remove reference to an application for membership through a U.S. branch in Section 3(b)(ii)(E)(2) of Rule 2A; and (3) removing reference to a bank's branch in the description of the annual attestation that must be provided by non-U.S. bank Netting Members in Section 2(iii)(a) of Rule 3.

b. Remove Existing Trade Submission Requirements

In connection with adopting this trade submission requirement, FICC would remove the existing trade submission requirements from the GSD Rules. These requirements are currently set forth in Section 3 of Rule 11, Section 2 of Rule 15, and Section 2 of Rule 18.

Section 3 of Rule 11 requires Netting Members to submit data on all of that Netting Member's trades other than Repo Transactions (i) with other Netting Members that are eligible for netting and (ii) executed by a Covered Affiliate (as defined in Rule 1) that meet certain criteria. Section 2 of Rule 18 includes an identical trade submission obligation with respect to trade data on Netting Members' Repo Transactions. Both Rules exclude certain trades from the submission requirement, including trades executed between Netting Members and their Affiliates (defined in these Rules as "Affiliate Trades"). Section 2 of Rule 15 requires that certain broker Netting Members submit to FICC trade data regarding their brokered activity upon FICC's request.

¹⁷ Additionally, the Adopting Release discusses how the exclusion for Affiliated Counterparties is conditioned on the affiliate submitting all Treasury Repo Transactions to which it is a counterparty for central clearing. However, the Adopting Release also specifies that "[b]y referring to all other repos or reverse repos, the exemption clarifies that the requirement does not encompass transactions between the [Netting Member] and the [Affiliated Counterparty], *i.e.*, the transactions that are excluded, and also does not encompass the [Affiliated Counterparty's] transactions that would otherwise be excluded" from the trade submission requirement under other exclusions described above. Supra note 2, at 86.

FICC is proposing to remove these provisions from the Rules.¹⁸ The activity that would be required to be submitted to FICC pursuant to the trade submission requirement proposed to be added to Rule 5 pursuant to the Treasury Clearing Rules would include activity that is covered by these existing requirements. Therefore, FICC believes it is unnecessary to retain these trade submission requirements in the Rules with the adoption of the new requirements to Rule 5.

In connection with this change FICC would delete the defined term “Covered Affiliate” from Rule 1.

c. Retain Prohibition Against Pre-Netting Trade Data

FICC is proposing to move and consolidate the existing restriction against pre-netting practices from Section 3 of Rule 11 and Section 2 of Rule 18 into Section 4 of the new Rule 5. These provisions provide that any trade data that is required to be submitted to FICC must be submitted on a trade-by-trade basis with the original terms of the trade unaltered, and specifically prohibits pre-netting practices. The receipt of unaltered trade data permits FICC’s market risk management processes to monitor trades closer to the time of execution and manage the risk exposures of those trades earlier in the day. Maintaining the prohibition against pre-netting practices for trades that are required to be submitted to FICC will, therefore, support the application of the risk management benefits of central clearing to this trading activity and support the goals of the Treasury Clearing Rules.

In moving and consolidating these provisions into Rule 5, FICC would also update the disciplinary action it may take if a Netting Member fails to comply with these requirements. Currently, Rules 11 and 18 provide that a Netting Member that violates this requirement “may be reported to the appropriate regulatory body, placed on the Watch List and/or subject to an additional fee” and that FICC may further discipline the Netting Member pursuant to Rule 48.¹⁹ FICC is proposing to remove these disciplinary measures and instead provide that a Netting Member that has violated the prohibition against pre-netting practices pursuant to the new Section 4 of Rule 5 may be subject to an existing provision in the Rules that requires, in certain circumstances, an additional charge to a Netting Member’s Required Fund Deposit, which would, as part of this proposed rule change, be defined as a “Credit Compliance Charge”.

FICC currently has the authority to collect an additional charge as part of a Netting Member’s Required Fund Deposit if the Member fails to comply with applicable continuing membership standards, pursuant to Section 8 of Rule 3.²⁰ This additional amount is currently calculated as equal to the greater of either: (i) \$1,000,000, or (ii) 25 percent of the normal

¹⁸ FICC has separately proposed to remove Section 1 of Rule 15, see Securities Exchange Act Release No. 99817 (Mar. 21, 2024), 89 FR 21362 (Mar. 27, 2024) (SR-FICC-2024-005). Therefore, with the proposed removal of Section 2 of Rule 15, Rule 15 will be revised to be reserved for future use.

¹⁹ Section 3 of Rule 11, Section 2 of Rule 18, supra note 1. See also Rule 48 (addressing FICC’s general authority to discipline any Member for violation of the Rules), id.

²⁰ Supra note 1.

calculation of the Netting Member's Required Fund Deposit. FICC proposes to define this existing additional charge as the "Credit Compliance Charge" and replace the description of this charge in Rule 3 with a defined term in Rule 1 and in the Margin Component Schedule.²¹ Because the prohibition against pre-netting practices is designed to support FICC's risk management of trades submitted for clearance and settlement, FICC believes this charge is an appropriate disciplinary measure for a violation of the requirement. This proposed change would apply a disciplinary measure that is consistent with the disciplinary measure applicable when a Netting Member fails to comply with other membership obligations that are also designed to mitigate risk presented to FICC and its other Netting Members.

In connection with this proposed change, FICC would also delete the defined term for "Pre-Netting of Trades" from Rule 1 as that term would be incorporated into the new Section 4 of Rule 5.

2. *Adopt Provisions to Monitor and Enforce the Trade Submission Requirement*

The proposed changes would adopt provisions to facilitate FICC's ability to identify and monitor the trade submission requirement. These proposed changes would specify FICC's ability to request information from both the Netting Member and from its applicable regulatory authority, and to review Netting Members' books and records, as and when FICC deems it necessary to monitor Members' compliance with the requirement. The proposed changes would also adopt affirmative, ongoing membership obligations of Netting Members to monitor their own continuous compliance with the requirement, proactively report any instances of non-compliance with the requirement, and periodically affirm ongoing compliance to FICC, as described below.

While FICC would adopt provisions that would allow it to request information from Netting Members and their applicable regulatory authority, and to inspect Netting Members' books and records when it deems such review necessary, given that Netting Members' internal operations, organizational structures and trading practices vary greatly, FICC believes it is also appropriate to apply an approach that entails some degree of Netting Member self-monitoring and self-reporting under the general obligation to comply with FICC's ongoing membership requirements. Therefore, and as recommended in the Adopting Release,²² FICC is proposing to

²¹ FICC recently proposed changes to the Rules that would move the margin calculation methodology, including the relevant defined terms currently located in Rules 1 and 4, into a new Margin Component Schedule. See Securities Exchange Act Release No. 99844 (Mar. 22, 2024), 89 FR 21603 (Mar. 28, 2024) (SR-FICC-2024-007). Therefore, FICC is proposing to also describe the calculation of the Credit Compliance Charge in the proposed Margin Component Schedule.

²² Supra note 2, at 129 ("... U.S. Treasury securities CCA could require direct participants to submit to the CCA information regarding their U.S. Treasury securities transactions or to require attestations from senior officials of the CCA's direct participants as to their submission of the required transactions and compliance with their obligations to submit such transactions.")

require that Netting Members monitor their own compliance with the requirement and affirm such compliance to FICC through a written attestation and report, as described in detail below.

a. FICC's Authority to Request Information and Inspect Books and Records

FICC would describe in Section 2 of Rule 5 its authority to take certain actions, and Netting Members' agreement to comply with such actions, in connection with its monitoring of Netting Members' ongoing compliance with the trade submission requirement. FICC currently has the authority to take each of these actions under Rules 2A and 3 in connection with its monitoring of Members' compliance with the requirements of membership generally. Therefore, FICC is not proposing to expand its authority to request information, or review the books and records of its Members, but would clarify that it may exercise these existing rights in connection with its monitoring of the trade submission requirement.

First, Netting Members would be required to submit to FICC any reports or other information that FICC may reasonably request, as also set forth in Section 2 of Rule 3, which requires that Netting Members submit to FICC "the reports, financial or other information set forth below and such other reports, financial and other information as the Corporation from time to time may reasonably require." The proposed rule change would specify that this information could include, for example, reports of trading activity, trade data, and the Netting Member's policies, procedures or other controls related to its compliance with the trade submission requirement. Second, Netting Members would agree that FICC may inspect their books and records, as also set forth in Section 10 of Rule 3. Finally, Netting Members would authorize FICC to request information regarding a Netting Member from that firm's Designated Examining Authority or Appropriate Regulatory Agency, which FICC may also do under Rule 2A, Section 6 in evaluating an applicant to be a Netting Member. This provision would incorporate a suggestion in the Adopting Release that reviewing information from regulatory organizations would be an appropriate method for FICC to assess its Netting Members' compliance with the requirement.²³ The proposed rule would specify that the information that FICC may request from such authority or agency could include, for example, information related to such authority or agency's examination of the Netting Member's trading practices, trading reports and other records.

As noted above and described below, FICC would primarily rely on Netting Members to monitor their own compliance with the trade submission requirement. However, these proposed changes to clarify FICC's existing rights to request information and examine Netting Members' books and records would allow FICC to verify such compliance, for example, before it takes action to enforce the requirement.

²³ See *id.*, ("The Commission further agrees that a U.S. Treasury securities CCA also could review publicly available information and information made available to it by regulatory and self-regulatory organizations as part of its assessment of its direct participants' compliance.").

b. Requirement to Notify FICC of Non-Compliance

Second, the proposed rule changes would require each Netting Member to notify FICC in writing within 2 Business Days from the date on which it learns that it is no longer in compliance with the trade submission requirement. Currently, under Section 7 of Rule 3, Members are required to notify FICC if they are no longer in compliance with the qualifications, standards or other requirements of membership.²⁴ This proposed rule change would clarify for Members the application of this existing requirement to a failure to comply with the trade submission requirement.

The proposed rule change would also specify that notification of non-compliance shall include all relevant facts that are known to the Netting Member at the time of the notification and would identify examples of such information. Examples of such relevant facts would include (i) the approximate duration of the non-compliance with the trade submission requirement; (ii) either the time when non-compliance with the trade submission requirement was remediated or the anticipated steps to be taken to remediate such non-compliance and the approximate time when non-compliance is expected to be remediated; and (iii) identification and contact information of the member of the Netting Member's Controlling Management (as such term is defined in the Rules)²⁵ that is overseeing the matter.

FICC believes this information would assist it in assessing the status and extent of the Netting Member's non-compliance with this requirement and the appropriate, applicable disciplinary measures. As discussed below, FICC would provide Netting Members that self-report non-compliance with the trade submission requirement with a cure period before applying disciplinary measures. Finally, by requiring that a Netting Member identify a member of its Controlling Management that is overseeing the matter, the proposed rule change would ensure that the Netting Member has appropriately escalated the non-compliance internally and that the matter is being addressed by its senior management.

c. Annual Trade Submission Attestation

Third, the proposed changes would require each Netting Member to provide FICC with an annual attestation regarding its ongoing compliance with the trade submission requirement. The requirement to provide this attestation would be included in Section 2 of Rule 5, and the attestation would be described in Section 2(iii)(c)(1) of Rule 3, as an ongoing requirement of

²⁴ Section 7 of Rule 3, supra note 1.

²⁵ See Rule 1 ("The term "Controlling Management" shall mean the Chief Executive Officer, the Chief Financial Officer, and the Chief Operations Officer, or their equivalents, of an applicant or Member or such other individuals or entities with direct or indirect control over the applicant or Member; provided that with respect to a Registered Investment Company Netting Member or an applicant to become a Registered Investment Company Netting Member, the term "Controlling Management" shall include the investment manager."), supra note 1. See discussion below regarding a proposed change to include a Netting Member's Chief Risk Officer to this definition.

membership. FICC would also adopt a definition of the “Annual Trade Submission Attestation” in Rule 1.

The Annual Trade Submission Attestation would be required to be submitted to FICC by each Netting Member no less than annually, and FICC would set the date such attestations are due on an annual basis. Such an attestation would be signed by the Netting Member’s Chief Compliance Officer or most senior authorized officer of the Netting Member who performs a similar function. FICC believes that a Netting Member’s Chief Compliance Officer, or similar senior officer, is the appropriate level of authority to sign and deliver this attestation as such officers are typically responsible for monitoring a firm’s compliance with applicable laws, regulations, and other ongoing requirements.

Each Annual Trade Submission Attestation would be required to be on a form that is provided by FICC and would include the following attestations, as would be set forth in Rule 3: (i) the attesting officer has read and understands the trade submission requirement set forth in Rule 5; (ii) the Netting Member has established, maintains and enforces policies, procedures or other controls that are reasonably designed to ensure ongoing and continued compliance with the trade submission requirement; (iii) such controls are reasonably designed to promptly identify and remediate any occurrences of non-compliance with the trade submission requirement; and (iv) the Netting Member has, at all times during the 12 months prior to the date of the attestation, complied with the trade submission requirement set forth in Rule 5.

Netting Members have an existing similar requirement to submit an annual attestation with respect to their obligations to the Capped Contingency Liquidity Facility under Rule 22A. Therefore, while this attestation covers a different area of ongoing membership requirements, the requirement will not be unfamiliar to existing Netting Members.

FICC would adopt a fine in the Fine Schedule that would apply when a Netting Member fails to submit the Annual Trade Submission Attestation on time and in the form required. The fine would be \$10,000, would apply on the Business Day following the day on which the attestation was required to be provided to FICC and would continue to be applied every 10 Business Days until the completed and correct attestation is provided to FICC. By setting this fine at a relatively higher value than other existing fines and by structuring the fine to be applied periodically until this requirement has been fulfilled, FICC believes this continuing fine would be an appropriate and effective measure to deter non-compliance and signal to Netting Members that the delivery of the attestation is an important obligation of membership.

d. Triennial Independent Trade Submission Review and Report

FICC is proposing to require that each Netting Member conduct an independent review of its ongoing compliance with the trade submission requirement on a triennial basis and provide a report of that review to both FICC and the Netting Member’s most senior governing body. FICC believes that a more comprehensive review of a Netting Member’s compliance, performed by an independent body on a less frequent basis would be an important mitigant to any contravention of the trade submission requirement. The requirement to conduct a review and provide a report of the review to FICC would be included in Section 2 of Rule 5, and the review and report would be described in Section 2(iii)(c)(2) of Rule 3, as an ongoing requirement of

membership. FICC would also adopt definitions of the “Triennial Independent Trade Submission Review” and the “Triennial Independent Trade Submission Report” in Rule 1.

The Triennial Independent Trade Submission Review would be required to be conducted following procedures and standards that each Netting Member has established to ensure the review is comprehensive and adequate to sufficiently assess and confirm the Netting Member’s ongoing compliance with the trade submission requirement for the three-year period prior to the review. Because each Netting Member’s review would need to be appropriate for its own business practices and organization, FICC would permit each Netting Member to establish its own procedures and standards for conducting this review. FICC would have the authority, as discussed above, to review such procedures and standards when it deems necessary to confirm they are designed to ensure an appropriate assessment of compliance pursuant to the Rules.

The proposed rule would permit Netting Members to engage either an internal independent group or an external third party to conduct this review. An independent external third party could include, for example, an auditor, consultant, or other independent firm that has experience providing independent attestations, certifications or opinions in the securities market industry. Netting Members that choose to engage an external independent third party to conduct the Triennial Independent Trade Submission Review would need to receive FICC’s prior approval of that third party. In approving an independent third party, FICC would verify that the third party has the requisite expertise, as set forth in the Rules, to conduct the triennial review. If a Netting Member chooses to use an internal independent group to conduct the triennial review, such group must report directly to the Netting Member’s board of directors, a committee of that board or to the equivalent senior most governing body. Such requirement would ensure the independence of this group from the business areas that are subject to the review. Allowing Netting Members to choose to use either an internal group or an external third party to conduct the Triennial Independent Trade Submission Review provides flexibility and acknowledges the different internal capabilities and resources of different Netting Members.

Each Netting Member would be required to complete a report of the Triennial Independent Trade Submission Review, in a form that would be prescribed by FICC, that is signed by the individual who oversaw the review and, similar to the annual attestation, by the firm’s Chief Compliance Officer or most senior officer who performs a substantially similar function. FICC would require that Netting Members provide the Triennial Independent Trade Submission Report to its board of directors or equivalent senior most governing body, before delivering the report to FICC. FICC believes that involving the senior leaders at a Netting Member in the triennial review and report would allow for appropriate oversight and would signal the criticality of compliance with this trade submission requirement to senior levels of a Netting Member’s organization.

Proposed Section 2(iii)(c)(2) of Rule 3 would identify the components of the Triennial Independent Trade Submission Report, which would (i) describe the procedures, methodology and/or standards employed in conducting the Triennial Independent Trade Submission Review, (ii) identify the books, records, processes, operations and/or controls of the Netting Member that were examined in conducting the triennial review; and (iii) state the conclusions of the review, including whether the Netting Member has complied with the trade submission requirement on an ongoing basis during the period covered by the review.

FICC would adopt a fine in the Fine Schedule that would apply when a Netting Member fails to complete the triennial review and submit the triennial report to FICC by the time and in the form prescribed by FICC. The fine would be \$15,000 and would apply on the Business Day following the day on which the attestation was required to be provided to FICC and would continue to be applied every 10 Business Days until the completed and correct attestation is provided to FICC.

Section 2(iii)(c)(2) of Rule 3 would address what would occur if FICC determines, in its sole discretion, that a Triennial Independent Trade Submission Review conducted on behalf of a Netting Member is incomplete, inadequate or otherwise does not meet the requirements of the Rule. If this were to occur, the Rule would provide that FICC shall require the Netting Member to complete a revised review that addresses the deficiencies of the prior review and would impose a fine on the Netting Member as if such firm had not submitted a Triennial Independent Trade Submission Report. Such fine would continue to apply until the revised report is provided to FICC.

e. Enforcement of Trade Submission Requirement

Finally, Section 3 of Rule 5 would provide that a Netting Member that fails to comply with the trade submission requirement would be subject to a fine under the Fine Schedule and that the Netting Member's Designated Examining Authority or Appropriate Regulatory Agency, as applicable, and the Commission would be notified of that failure. FICC believes that notice of a Netting Member's failure to comply with the trade submission requirement to other appropriate regulatory organizations is an appropriate measure and would be an effective deterrent to non-compliance.

Within the Fine Schedule, FICC would adopt a fine of \$20,000 and, similar to the fines that would be imposed for a failure to submit a required attestation or triennial report, the fine would continue to be assessed until FICC has determined, in its sole discretion, that the failure to comply has been remediated. FICC would assess this fine on a longer timeframe – every 30 Business Days – to provide Netting Members with an appropriate period of time to remediate non-compliance.

Section 3 of Rule 5 would provide Netting Members who notify FICC of their non-compliance with the trade submission requirement with a cure period of 10 Business Days before the applicable disciplinary measures are taken. FICC believes it is appropriate to adopt this cure period to encourage Netting Members to effectively monitor their own compliance with the requirement and notify FICC when non-compliance is discovered.

3. *Adopt Enhancements to the Initial Qualifications and Ongoing Membership Standards Applicable to Netting Members*

The proposed revisions to the Rules would also enhance the membership standards for applicants and Netting Members subject to GSD's initial and ongoing requirements under Rules 2A and 3. These enhancements, described below, are designed to clarify and strengthen GSD's membership standards to help mitigate the credit exposure that Netting Members present and,

thus, continue to promote the safety and soundness of FICC, its Members, and the industry it serves.

These proposed changes are consistent with the authority provided to FICC under Section 17A(b)(4)(B) of the Act, which provides that a registered clearing agency such as FICC may, among other things, deny participation to, or condition the participation of, any person if such person does not meet such standards of financial responsibility, operational capability, experience, and competence as prescribed by the rules of the registered clearing agency.²⁶ Furthermore, the registered clearing agency may examine and verify the qualifications of an applicant to be a participant in accordance with procedures established by the rules of the clearing agency.²⁷

First, FICC proposes to make several changes to Rule 2A, which addresses initial membership requirements. In addition to various technical, ministerial, supplemental, and other conforming and clarifying changes, FICC proposes the following changes to Rule 2A:

- Require applicants to always maintain adequate liquidity resources to meet their actual or projected funding obligations to FICC, as determined by FICC. Although already implicit in the Rules, explicitly stating this requirement would provide greater notice and transparency to applicants.
- In assessing the adequacy of an applicant's liquidity resources, authorize FICC to consider, for example, the source of liquidity and clearly state that FICC may deny membership to an applicant if the applicant is unable to satisfactorily demonstrate to FICC, in FICC's judgement, that the applicant maintains adequate liquidity resources. Given the importance liquidity serves in supporting an applicant's resiliency, it is imperative that FICC be able to fully assess the quality and quantity of liquidity of its applicants.
- Update current language that addresses consideration of the financial resources of the applicant's parent company to more broadly address the financial resources of a Guarantor, as such term would be defined in Rule 1 by the proposal, since a guaranty may come from an entity other than the parent company, and allow such consideration to be made by FICC instead of its Board, as such a decision aligns better with FICC management than with the Board.
- When a guaranty is provided, (i) authorize FICC the option to engage external legal counsel to review the validity and enforceability of a Guarantor's guaranty, with the costs and expenses of such review being borne by the applicant or Member; and (ii) require a Guarantor to provide FICC the Guarantor's annual audited Financial Statements and such other information as FICC believes necessary or appropriate in order to assess the Guarantor's ability to guarantee the obligations of the applicant or

²⁶ 15 U.S.C. 78q-1(b)(4)(B).

²⁷ Id.

Member to FICC for the duration of the guaranty. Given the importance that a Guarantor's guaranty plays in supporting an applicant, it is imperative that FICC be able to fully assess the validity of that guaranty and the Guarantor's financials.

- Clarify the concept of "business history" of an applicant to the "operating and management history and outlook" of the applicant, to more clearly encompass the scope of "business history" that FICC considers.
- Extend the required operating history of an applicant from six months to one year or, in the alternative, permit FICC to determine whether the applicant has not only personnel with sufficient operational background and experience, as currently allowed, but also sufficient financial background and experience as well, to conduct the business of the applicant. FICC believes one full year of operating history would be a better measure of the applicant's wherewithal than merely six months, and that the financial background and experience of the applicant's personnel are equally as important to consider as their operational background and experience.
- Require applicants to provide FICC with a business plan, supported by financial assumptions and projections that includes the applicant's proposed use of GSD's services that demonstrates, to the satisfaction of FICC, that the applicant has a viable plan to meet and sustain the financial and operational responsibility standards and financial obligations under the Rules. Absent a viable business plan, FICC could be exposed to greater risk from the applicant, if it were to become a Member.
- As part of an applicant's membership application, allow FICC to require an assessment of the applicant's business plan by an independent third-party consultant, at the expense of the applicant, to evaluate the reasonableness and viability of the plan, including its assumptions and projections, and explicitly state that failure to provide such a plan, when requested, may result in denial of the application. Again, given the importance that a viable business plan can have in supporting an applicant's obligations to FICC, it is imperative that FICC be able to fully assess that plan.
- Explicitly authorize FICC to deny an applicant's application if FICC believes the applicant does not have individuals with relevant industry experience and appropriate history of compliance with laws and regulations staffed in the following senior management roles, as applicable, prior to activation of the applicant's membership: President and/or Chief Executive Officer, Chief Financial Officer, Chief Risk Officer (who would also be added to the current definition of "Controlling Management" in Rule 1), General Counsel, OFAC Officer and Cybersecurity Officer. Similar to having a viable business plan, it is important that Members are adequately staffed with key personnel to help manage the Member's obligations to FICC.
- Clarify, with respect to financial or other reports, opinions, or information (collectively, "information") that an applicant may be required to provide FICC, that (i) FICC may request such information as it deems not only appropriate but also necessary in order to evaluate the applicant's financial responsibility, operational, legal and regulatory capabilities, experience and competence; and (ii) such

information may include, without limitation, documented risk management practices, liquidity stress tests, credit agreements, risk assessments, opinions of counsel and other independent professionals, audited financial statements (including, without limitation, those of the applicant's Affiliates and/or Guarantor), consolidated and consolidating financial statements, financial projections, and organizational documents and charts (including, but not limited to, certificates of incumbency and the corporate structure of the applicant's Affiliates and/or Guarantor). Although already implicit in the Rules, clarifying this requirement would provide greater notice and transparency to applicants.

- Clarify that if FICC determines to apply a limitation or restriction on an applicant in lieu of applying a membership standard, as FICC is currently authorized to do, that such limitations and restrictions also include conditions and, in addition to the examples already provided in the Rules, such limitations, restrictions, and conditions also may include increased or adjusted ongoing membership financial requirements or an ongoing requirement to provide additional information or reports to FICC. Although already implicit in the Rules, clarifying this requirement would provide greater notice and transparency to applicants.
- Clearly authorize FICC to deny membership to an applicant if FICC becomes aware of any factor or circumstance about the applicant or its Controlling Management that may impact the suitability of the applicant as a Member, such as, without limitation, (i) if the applicant would be placed on the Watch List upon admission; (ii) concerns relating to compliance with anti-money laundering or sanctions laws, rules, and regulations; (iii) concerns relating to the amount or degree of leverage maintained or proposed to be maintained by the applicant; and/or (iv) pending, adjudicated or settled regulatory or other legal actions involving the applicant or its management, including the applicant being subject to a Statutory Disqualification, as such term is defined in Rule 1. Although already implicit in the Rules, explicitly stating this authority would provide greater notice and transparency to applicants.
- If an applicant is denied membership, restrict the applicant from reapplying for membership until the applicant has demonstrated to the satisfaction of FICC that the applicant has adequately addressed the specific grounds upon which the application was denied. This change would help stop an applicant from immediately reapplying for membership and tying up FICC resources without first taking the time to address the underlying issue for the denial.

Second, FICC proposes to make several changes to Rule 3, which addresses ongoing membership requirements. In addition to various technical, ministerial, and other conforming and clarifying changes, FICC proposes the following changes to Rule 3:

- Expand the requirement that information provided to FICC under the Rules must be in English and move the requirement into Section 1 of Rule 3. Currently the requirement that information provided to FICC must be in English is at the end of Section 2 of Rule 3 and only applies to information that is provided to FICC under Rule 3. The proposed change would move this statement into Section 1, which

addresses ongoing membership requirements generally, and would expand the requirement to apply to all information provided under the Rules.

- Update the type of financial information that FICC may, in its discretion, request from a Member's Affiliate and not just the Member's parent, including Affiliates of Members that are a Broker or Dealer, U.S. bank or trust company, Futures Commission Merchant, or non-U.S. organized entity, to include the annual audited Financial Statements for the applicable fiscal year, certified by an independent certified public accountant and prepared in accordance with generally accepted accounting principles, of the Affiliate, and if annual audited Financial Statements are not available, allow FICC, in its discretion, to accept unaudited Financial Statements, audited consolidated Financial Statements, or other financial information of the entity, as applicable.
- Require Members to provide accurate, complete and timely responses to FICC's annual and periodic due diligence information requests, which could include, for example, the delivery of additional reports and other information. Although already implicit in the Rules, explicitly stating this requirement would provide greater notice and transparency to Members.
- Subject Members to (i) a fine, pursuant to the Fine Schedule; (ii) require adequate assurances of their financial responsibility and operational capability as provided for in Section 7 of Rule 3; and/or (iii) if the requested information is outstanding for more than 60 calendar days and until such time that the information is received by FICC to FICC's satisfaction, a Credit Compliance Charge, calculated pursuant to the Margin Component Schedule, added to the Required Fund Deposit of such Member, if the Member fails to provide accurate, complete and timely information, including responses to due diligence requests, in the manner requested. Although already subject to fines for failing to timely provide financial and related information, expanding such fines to explicitly include failing to respond to other information requests, particularly due diligence requests, and adding the ability to assess adequate assurances or a Credit Compliance Charge, would further support the importance of Members providing timely responses to requests for key information.
- Clarify the timing and manner in which Members must notify FICC if a Member is no longer in compliance with applicable membership standards or is the subject of an investigation or proceeding, including the Member's Controlling Management, that would cause it to no longer meet an applicable membership standard, and that failure to provide such notification shall subject the Member to a fine. Although already implicit in the Rules, clarifying this requirement would provide greater notice and transparency to Members.
- Authorize FICC to require Funds-Only Settling Bank Members to provide adequate assurances that could limit the number of Netting Members for which the Funds-Only Settling Bank Member provides settlement services. Given the significant risk that Funds-Only Settling Bank Members present to FICC and Netting Members in settling for Netting Members, it is imperative that FICC be able to adequately mitigate that

risk exposure, when needed, by limiting the number of Netting Members for which such a bank can settle, when FICC deems such measure necessary to mitigate risk presented by the Funds-Only Settling Bank Member.

- Clarify that the ongoing monitoring of Members includes, without limitation, monitoring through annual and periodic due diligence requests. Although already implicit in the Rules, clarifying this requirement would provide greater notice and transparency to Members.

Third, FICC proposes to make several changes to the Fine Schedule. In addition to various technical, ministerial, and other conforming and clarifying changes to the Fine Schedule, FICC proposes the following changes:

- Replace the “Financial Reports” fine category and associated fines with a new category titled “Reports, Information and Due Diligence Requests,” where the first, second, third, and fourth occasions for failing to timely provide such information would result in \$5,000, \$10,000, \$15,000, and \$20,000 fines, respectively, and provide that for more than four occasions, fines will be determined by FICC with the concurrence of the Board of Directors. FICC believes that providing a broader fine category, with higher fines, would help improve Member’s compliance with the obligation.
- Provide notice that (i) the fine for failure to deliver timely and accurate responses to due diligence requests, in the form required by FICC, would be assessed on the 31st Business Day following the day on which such responses are due; (ii) the fine for failure to deliver all other information would be assessed on the Business Day following the day on which such information is due; and (iii) in all cases, the applicable fine shall be assessed every 10 Business Days and shall increase by \$5,000 each time it is assessed, as shown in the Fine Schedule, until such responses have been delivered to FICC. Providing better notice of when the fines will be assessed, and applying a continuing, meaningful fine for a Member’s ongoing failure to comply, would help improve compliance with the obligation.

4. Other Revisions and Clarifications to the Rules

Finally, the proposed rule changes would make other revisions to clarify and conform provisions of the Rules to improve their accuracy and transparency.

First, the proposed rule changes would revise and clarify certain defined terms in Rule 1. The revisions would update the definition of “Affiliate” to replace a citation to a particular regulatory definition of this term set forth in rules promulgated under the Act, with the text of the particular regulatory definition of this term.²⁸ This revision would not change the meaning of this term as it is used in the Rules, but would provide further clarity by including the actual definition and not requiring a reader to find that definition in the cited regulation.

²⁸ 17 CFR 230.405.

The proposed rule changes would also update the definition of “Designated Examining Authority” to include the appropriate regulatory bodies that may apply to other legal entity types and to permit FICC to choose the applicable regulatory body when a Member has multiple overseeing regulators. The additional regulatory authorities that would be included in this defined term are already listed along with the term Designated Examining Authority in Section 6 of Rule 3. Expanding the defined term to include these additional regulatory agencies in the defined term would allow FICC to remove that additional language from Rule 3 and simplify the uses of this term in other places in the Rules, including in Sections 2 and 3 of proposed Rule 5 regarding the monitoring and enforcement of the trade submission requirement.

The proposed rule changes would also update the defined term for “Eligible Treasury Security” to clarify the meaning of this term by using the new proposed defined term for “U.S. Treasury Security” and the existing defined term for “Eligible Security”.

Second, the proposed rule changes would reorganize the sections within Rules 2A and 3, regarding the initial and ongoing requirements of membership, to identify similar requirements together in the same sections and ensure members have a clear understanding of these obligations. In Rule 2A, these proposed changes would include adding subheadings to Section 5, which describes the various documents and other application requirements, to improve the transparency of this section and better identify these requirements to the reader.

These proposed changes would also rename Section 1 of Rule 3 “General” and move general statements that are applicable to the provisions of both Rule 3 and the Rules generally into this section. For example, Section 1 of Rule 3 would now include a statement that clarifies for Members which requirements apply when a firm qualifies for multiple types of Netting Member and would include and expand the requirement that information provided to FICC under the Rules generally must be in English, as discussed above.

The proposed changes to Rule 3 would also rename Section 2 “Financial Statements, Regulatory Reports and Other Reporting Requirements”, create subheadings to more clearly describe the types of information and reports that Netting Members must provide on an ongoing basis, and move other ongoing reporting requirements into new Section 2(i). For example, Section 2(i) would include an existing ongoing requirement to provide regulatory reports that are submitted to a Member’s regulatory supervisors and other authorities. The proposed changes would move all statements in Rule 3 regarding the timing of ongoing membership reporting requirements into a new Section 2(ii). The definition of “Financial Statements” would be moved out of Section 3 of Rule 3 and into Rule 1, with the other defined terms. The ongoing requirement that Members maintain a current Legal Entity Identifier would be moved into Section 3 of Rule 3.

The proposed changes to Rule 3 would also move the existing requirement that Members maintain or upgrade their systems into Section 6 of Rule 3, where other operational requirements are currently described. The proposed changes would add new subheadings to Section 7 of Rule 3, which describes the general continuance standards for membership, to make these standards easier to identify. The proposed changes would simplify the description of the requirement to notify FICC of events that impact a Member’s compliance with applicable ongoing membership requirements in new Section 7(a) of Rule 3, and to specify that failure to provide this notification

will result in a fine pursuant to the Fine Schedule. These proposed changes would not change Members' notification obligations or impose new disciplinary measures but would improve the clarity of these requirements in the Rules.

The proposed changes would move the description of the requirement that Netting Members that are Foreign Persons notify FICC if they become subject to disciplinary action by their home regulator to Section 9 of Rule 3, which already addresses the ongoing requirement that Members comply with applicable laws. Finally, the proposed changes would move the statement that a Netting Member may be required to provide FICC with a legal opinion if FICC determines that the Member could be subject to "Legal Risk" (as such term is defined in the Rules) to Section 11 of Rule 3, which already addresses FICC's ongoing monitoring of Members.

As noted above, these proposed changes are not intended to alter the requirements of Members or rights of FICC with respect to ongoing membership standards, but would re-arrange, clarify and simplify the descriptions in Rule 3 to improve the transparency of those provisions.

Third, the proposed rule changes would move descriptions of the ongoing and regular attestation, acknowledgement and certification requirements into new Section 2(iii) of Rule 3 and would amend the Fine Schedule to adopt fines that would be assessed for a failure to deliver such attestations when required. The attestations that would be included in this new subsection are (1) an existing requirement that Bank Netting Members that are Foreign Persons provide an attestation on at least an annual basis regarding their capital requirements and capital ratios, which is currently described in Rule 3; (2) the existing requirement that Netting Members, Sponsoring Members and CCIT Members deliver a "Cybersecurity Confirmation" (as such term is defined in Rule 1) at least every two years, as currently described in Section 2 of Rule 3; (3) the proposed Annual Trade Submission Attestation and the proposed Triennial Independent Trade Submission Review and Report requirements that are proposed to be added to new Rule 5, as described above; and (4) the existing requirement that Netting Members provide an annual attestation and periodic acknowledgements regarding their obligations under the Capped Contingency Liquidity Facility ("CCLF", as such term is defined in the Rules) pursuant to Rule 22A, which is currently described in Rule 22A.²⁹

In connection with these proposed changes, FICC would delete the definition of "Required Attestation", which currently refers to the attestation regarding a Netting Member's CCLF obligations and replace that definition with a defined term for "CCLF Attestation" in Rule 1, to better reflect the nature of this required attestation. FICC would also amend Rule 22A to

²⁹ FICC recently proposed changes to the Rules to require that each Netting Member provide certain acknowledgements to FICC concerning their understanding of and ability to meet their CCLF obligations. See Securities Exchange Act Release No. 100137 (May 14, 2024), 89 FR 43938 (May 20, 2024) (SR-FICC-2024-008). The changes proposed herein would move the separately proposed disclosures of those acknowledgements from Rule 22A to Rule 3.

remove the descriptions of the CCLF attestation and acknowledgement requirements and replace those descriptions with a reference to Rule 3.

FICC would also specify in the Fine Schedule the applicable fines for a failure to provide the attestations that would be identified in Section 2(iii) of Rule 3. While FICC has the authority under Rule 48 to take disciplinary action, including imposing a fine, if a Netting Member violates any provision of the Rules, the proposed change to specify the applicable fines for failure to deliver the Cybersecurity Confirmation and the CCLF attestation and acknowledgements would improve the transparency of the Rules and permit Members to better anticipate the consequences of failing to comply with these requirements.

Finally, the proposed rule changes would amend Sections 4(b)(iii) and 6 of Rule 2A and Section 5 of Rule 3 to remove references to FICC's Board of Directors as being responsible for approving or authorizing certain actions and replacing such references with references to FICC. As provided in Rule 44, action by FICC may include action by the Board or by another authorized person as may be designated by the Board from time to time. This proposed change would permit the Board to either retain the authority to take the actions specified in these sections of the Rules or to authorize management of FICC to do so, consistent with Rule 44 and the Board's authority under the FICC By-laws. Specifically, the Board's authority to empower management with certain responsibilities originates in the FICC By-laws, which have been filed as a Rule of FICC.³⁰ The By-laws document the responsibilities of the Board in electing and appointing officers of FICC, and prescribing and assigning to those officers their respective powers, authority and duties.³¹ This revision would simplify these statements in the Rules, consistent with Rule 44.

Implementation Timeframe

Subject to approval by the Commission, FICC expects to implement the proposal by no later than March 31, 2025, and would announce the effective date of the proposed rule change by an Important Notice posted to FICC's website.

As provided for in the Treasury Clearing Rules, while the Rules would be updated to reflect the changes proposed by this filing by no later than March 31, 2025, Netting Members would not be obligated to comply with the trade submission requirement proposed by this filing until December 31, 2025, with respect to Buy/Sell Transactions that are considered Eligible Secondary Market Transactions, and June 30, 2026, with respect to Treasury Repo Transactions that are considered Eligible Secondary Market Transactions.

³⁰ See Securities Exchange Act Release Nos. 54173 (July 19, 2006), 71 FR 42890 (July 28, 2006) (SR-DTC-2006-10, SR-FICC-2006-09, and SR-NSCC-2006-08); 82917 (Mar. 20, 2018) 83 FR 12982 (Mar. 26, 2018) (SR-FICC-2018-002).

³¹ See Sections 3.2 through 3.9, *id.*

(b) Statutory Basis

FICC believes the proposed changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. In particular, FICC believes the proposed rule changes are consistent with Section 17A(b)(3)(F) and (G) of the Act,³² and Rules 17ad-22(e)(18)(ii), (iii), (iv)(A) and (B), and (e)(23)(ii), each promulgated under the Act,³³ for the reasons described below.

Section 17A(b)(3)(F) of the Act requires that the rules of FICC be designed to, among other things, promote the prompt and accurate clearance and settlement of securities transactions and assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible.³⁴

The proposed rule changes to require that each Netting Member submit to FICC for Novation all Eligible Secondary Market Transactions to which it is a counterparty would promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act, by ensuring that such transactions are subject to the risk mitigation benefits of central clearing at FICC. Such benefits are described by the Commission in the Adopting Release and include, for example, (1) reduction in overall counterparty credit risk when FICC Novates such transactions, becoming a counterparty to each transaction, as the buyer to every seller and the seller to every buyer; (2) enhancing the efficiency of, and market confidence in, centralized default management at FICC if a Netting Member defaults; and (3) increasing multilateral netting of these transactions, thereby reducing operational and other risks associated with such transactions.³⁵ By implementing the trade submission requirement and adopting provisions to monitor and enforce Members' compliance with that requirement, as required by the Treasury Clearing Rules, the proposal would extend the benefits of central clearing to all Eligible Secondary Market Transactions and, thereby, promote the prompt and accurate clearance and settlement of securities transactions, as recognized by the Adopting Release. In this way, the proposal is consistent with the requirements of Section 17A(b)(3)(F) of the Act.³⁶

As described above, FICC proposes changes that would enhance GSD's initial and ongoing membership standards provided under Rules 2A and 3, respectively. In particular, for Rule 2A, FICC proposes to, in summary, (i) explicitly require adequate liquidity through adequate resources; (ii) when an applicant or Member relies on a Guarantor, permit FICC to engage external counsel, at the applicant or Member's expense, to review the guaranty provided, and require the Guarantor to provide FICC with information FICC deems necessary or

³² 15 U.S.C. 78q-1(b)(3)(F) and (G).

³³ 17 CFR 240.17ad-22(e)(18)(ii), (iii), (e)(18)(iv)(A) and (B), and (e)(23)(ii).

³⁴ 15 U.S.C. 78q-1(b)(3)(F).

³⁵ See supra note 2, at 14-18.

³⁶ 15 U.S.C. 78q-1(b)(3)(F).

appropriate in assessing the guaranty; (iii) clarify that FICC considers “business history” to encompass more broadly the “operating and management history and outlook” of the applicant, and require that an applicant have at least one year of such history and outlook, or, absent one year, permit FICC instead of its Board, to determine whether the applicant has personnel with sufficient operational and financial background and experience; (iv) require applicants to provide FICC with a business plan, which FICC may require to be assessed by a third-party at the participant’s expense, that, in FICC’s judgement, demonstrates the applicant’s ability to meet its requirements to FICC; (v) explicitly state that FICC can deny an application if the applicant does not have adequate personnel in key senior management roles; (vi) clarify what information FICC may require an applicant, or the applicant’s Affiliates or Guarantor, to provide FICC; (vii) clarify that in addition to limitations and restrictions, conditions may also be placed on an applicant, and provide further examples of such; (viii) clearly authorize FICC to deny an applicant’s membership under certain additional circumstances, and if membership is denied under any circumstance, not permit reapplication until the applicant has adequately addressed the reason for the denial, to FICC’s satisfaction.

Also as described above, for Rule 3, FICC proposes to, in summary, (i) require Affiliates of a Member to provide FICC, at FICC’s discretion, certain financial statements; (ii) explicitly state that Members are required to provide accurate, complete and timely responses to FICC’s annual and periodic due diligence information requests, which are used for ongoing monitoring of a Member, and that failure to do so could subject the Member to fines, adequate assurances, or a Credit Compliance Charge; (iii) clarify the time and manner in which a Member must notify FICC if the Member breaches its GSD membership standards, or whether it or its Controlling Management are the subject of an investigation or proceeding that may cause the Member to breach its membership standards; and (iv) include an adequate assurances condition on Funds-Only Settling Bank Members that could limit the number of Netting Members for which the bank provides settlement services.

Finally, as described above, FICC also proposes to update the Fine Schedule by replacing the current “Financial Reports” category and associated fines with a new “Reports, Information and Due Diligence Requests” category, which would include more meaningful fine amounts, as well as notices regarding when fines would be charged and what continuing fines would be levied if the Member does not provide the outstanding information.

FICC believes these proposed enhancements to GSD’s membership standards would clarify, streamline, and improve FICC’s ability to assess and manage applicants and Members, as applicable. FICC also believes the level of detail and clarity offered by the proposed changes provides greater transparency and notice to all applicants and Members that are or would be subject to Rules 2A and 3. By enhancing the authority and tools available to FICC to assess and manage applicants and Members, FICC would better position itself to identify and mitigate the credit risk presented to it and, thus, promote the safety and soundness of FICC, its Members, and the industry it serves, all of which helps assure the safeguarding of securities and funds in the custody or control of FICC, consistent with Section 17A(b)(3)(F) of the Act.³⁷

³⁷ 15 U.S.C. 78q-1(b)(3)(F).

Section 17A(b)(3)(G) of the Act requires that the rules of FICC provide that its participants shall be appropriately disciplined for violation of any provision of the rules of the clearing agency by expulsion, suspension, limitation of activities, functions, and operations, fine, censure, or any other fitting sanction.³⁸ The proposed rule changes would adopt measures in Rule 5 and in the Fine Schedule to address a failure to comply with the trade submission requirement. Under these provisions, FICC would impose a continuing fine and notification to the applicable Netting Members' Designated Examining Authority or Appropriate Regulatory Agency and to the Commission. The disciplinary action would be clearly described in Rule 5 and the proposed fine amounts would be set forth in the Fine Schedule. FICC is also proposing to adopt a cure period of 10 Business Days before it takes disciplinary measures if a Netting Member self-reports a failure to comply with the requirement. FICC believes these measures, including the cure period that would be available to Members who self-report a failure to comply with the trades submission requirements, are appropriate deterrents to non-compliance and are consistent with the requirements of Section 17A(b)(3)(G).³⁹

Additionally, the proposed rule changes would define a broader category for fines applicable when a Netting Member fails to timely submit required reports, information and responses to due diligence requests, and would increase the applicable fines. The proposed fine amounts were determined in consideration of, and in alignment with, the other existing fines applicable. The proposed rule changes are designed to apply meaningful and appropriate disciplinary action that would signal to Netting Members the criticality of these risk management requirements. As such, the proposed rule changes are also consistent with the requirements of Section 17A(b)(3)(G).⁴⁰

Rule 17ad-22(e)(18)(ii) and (iii) under the Act requires that FICC establish, implement, maintain and enforce written policies and procedures reasonably designed to establish objective, risk-based, and publicly disclosed criteria for participation, which... (ii) require participants to have sufficient financial resources and robust operational capacity to meet obligations arising from participation in the clearing agency, and (iii) monitor compliance with such participation requirements on an ongoing basis.⁴¹

As described above, FICC proposes several changes to GSD's initial and ongoing membership requirements under Rules 2A and 3. FICC believes each of those proposed changes is objective, risk-based, and, of course, would be publicly disclosed as part of the Rules. FICC also believes the proposed changes support fair and open access to GSD services, as the proposed changes are agnostic to any individual or group of applicants or Members but, instead, are simply designed to clarify and strengthen GSD's current membership standards. Additionally, with respect to the specific proposed changes to (i) enhance FICC's ability to consider, assess, and require adequate liquidity of an applicant or Member; (ii) require applicants

³⁸ 15 U.S.C. 78q-1(b)(3)(G).

³⁹ Id.

⁴⁰ Id.

⁴¹ 17 CFR 240.17ad-22(e)(18)(ii) and (iii).

to have personnel with adequate experience and background; and (iii) explicitly require responses to due diligence requests, which are a key tool to assessing a Member's credit risk, FICC believes that those changes would help ensure that applicants and Members have sufficient financial resources and robust operational capacity to meet their obligations to FICC. For those reasons, FICC believes the proposed changes are consistent with Rule 17ad-22(e)(18)(ii) and (iii) under the Act.⁴²

Rule 17ad-22(e)(18)(iv)(A) under the Act requires, among other things, that FICC, as a covered clearing agency that provides central counterparty services for transactions in U.S. Treasury securities, require that any direct participant of such covered clearing agency submit for clearance and settlement all of the eligible secondary market transactions to which such direct participant is a counterparty.⁴³ The proposed rule changes would adopt a requirement that all Netting Members submit to FICC for clearing and settlement all Eligible Secondary Market Transactions to which they are a party, and would adopt the definition of Eligible Secondary Market Transactions and other related terms from the Treasury Clearing Rules in defining the scope of this requirement. The proposed changes to adopt this requirement, and related defined terms, into Rules 1 and 5 would directly comply, and, therefore, be consistent, with the requirements of Rule 17ad-22(e)(18)(iv)(A).⁴⁴

Rule 17ad-22(e)(18)(iv)(B) under the Act requires, among other things, that FICC, as a covered clearing agency that provides central counterparty services for transactions in U.S. Treasury securities, identify and monitor its direct participants' submission of transactions for clearing as required by Rule 17ad-22(e)(18)(iv)(A), including how FICC would address a failure to submit transactions in accordance with Rule 17ad-22(e)(18)(iv)(A).⁴⁵ FICC is proposing to adopt provisions that would specify its authority to request information and inspect its Netting Members' books and records in connection with monitoring their compliance with the trade submission requirement. FICC is also proposing to adopt ongoing membership requirements that would require each Netting Member to (1) report to FICC if the Netting Member is not in compliance with the trade submission requirement; (2) deliver an annual attestation regarding its ongoing compliance with the trade submission requirement; (3) conduct an independent review of its ongoing compliance with the trade submission requirements on a triennial basis; and (4) submit a report of that review to its senior most governing body and FICC. As discussed above, FICC believes it is appropriate to identify and monitor Netting Members' submission of transactions for clearing by adopting both provisions that Netting Members take specific affirmative actions to review their compliance and affirm such compliance to FICC, and provisions that specify FICC's own authority to inspect and verify such compliance. Collectively, these provisions provide a comprehensive framework for identifying and

⁴² Id.

⁴³ 17 CFR 240.17ad-22(e)(18)(iv)(A).

⁴⁴ Id.

⁴⁵ 17 CFR 240.17ad-22(e)(18)(iv)(B).

monitoring compliance with the trade submission requirements and are consistent with the requirements of Rule 17ad-22(e)(18)(iv)(B).⁴⁶

FICC is also proposing to adopt measures in Rule 5 to specify how FICC would address a failure to comply with the trade submission requirement. Under these provisions, FICC would impose a continuing fine and notification to the applicable Netting Members' Designated Examining Authority or Appropriate Regulatory Agency and to the Commission. FICC is also proposing to adopt a cure period of 10 Business Days before it takes disciplinary measures if a Netting Member self-reports a failure to comply with the requirement. FICC believes these measures, including the cure period, are appropriate deterrents to non-compliance and are consistent with the requirements of Rule 17ad-22(e)(18)(iv)(B).⁴⁷

Rule 17ad-22(e)(23)(ii) under the Act requires that FICC establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for providing sufficient information to enable participants to identify and evaluate the risks, fees, and other material costs they incur by participating in FICC.⁴⁸ As described above, FICC is proposing a number of clarifications and revisions to the Rules that do not create new rights or obligations, but are designed instead to improve the clarity and transparency of the Rules. For example, by reorganizing the sections of Rule 3, which addresses the ongoing membership requirements, these proposed changes create clearer disclosures and improve Netting Members' ability to identify and evaluate the material costs they incur by participating in membership. Similarly, by moving all of the required attestations, certifications and acknowledgments that are required of Members on regular and ongoing basis into one section within Rule 3, these proposed changes make the Rules easier to read and understand. In this way, the proposed changes that are designed to clarify and conform provisions of the Rules are consistent with the requirements of Rule 17ad-22(e)(23)(ii).⁴⁹

4. Self-Regulatory Organization's Statement on Burden on Competition

The proposed rule changes to adopt a trade submission requirement and define the scope of that requirement by adopting definitions from the Treasury Clearing Rules could impose a burden on competition. Specifically, Netting Members that are subject to the trade submission requirement may incur additional costs related to submitting those transactions to FICC for central clearing, such as applicable clearing fees and risk management charges. These costs could burden Netting Members that have lower operating margins or higher costs of capital than other Netting Members or market participants. However, FICC believes that any burden on

⁴⁶ Id.

⁴⁷ Id.

⁴⁸ 17 CFR 240.17ad-22(e)(23)(ii).

⁴⁹ Id.

competition would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.⁵⁰

First, as described above, the proposed rule changes to adopt a trade submission requirement would be necessary in furtherance of the Act. By subjecting Eligible Secondary Market Transactions to the risk mitigation benefits of central clearing at FICC, including reducing overall counterparty credit risk, enhancing the efficiency of, and market confidence in, centralized default management at FICC if a Netting Member defaults, and increasing multilateral netting of these transactions, the proposed trade submission requirement would promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.⁵¹

As described above, the proposed trade submission requirement that would be adopted in Rule 5 and the proposed scope of transactions that are subject to that requirement that would be adopted through the definition of “Eligible Secondary Securities Transactions” as such term is defined in the Exchange Act are necessary in furtherance of Rule 17ad-22(e)(18)(iv)(A) under the Act.⁵² The proposed measures that address how FICC would identify and monitor Netting Members’ compliance with the trade submission requirement and how FICC would address a failure to submit transactions in compliance with the trade submission requirement are also necessary in furtherance of Rule 17ad-22(e)(18)(iv)(B) under the Act.⁵³

Second, FICC believes the proposed changes are appropriate in furtherance of the Act. Specifically, the proposed trade submission requirement would apply equally to all Netting Members, without any distinction between Members that are different legal entities or have different locations of incorporation, organizational structure or sizes. Under the proposed rules, which are being adopted to comply with the requirements of Rule 17ad-22(e)(18)(iv)(A), all Netting Members would be subject to the same obligation to submit Eligible Secondary Market Transactions to which they are a counterparty to FICC for clearing and settlement.⁵⁴

Similarly, the ongoing reporting requirement, Annual Trade Submission Attestation, Triennial Independent Trade Submission Review and Triennial Independent Trade Submission Report, proposed to comply with the requirements of Rule 17ad-22(e)(18)(iv)(B), would apply to all Netting Members equally, without distinction.⁵⁵ FICC is proposing to provide Netting Members with some flexibility in how they conduct the Triennial Independent Trade Submission Review by permitting them to either engage an internal independent group or an external

⁵⁰ 15 U.S.C. 78q-1(b)(3)(I).

⁵¹ 15 U.S.C. 78q-1(b)(3)(F).

⁵² 17 CFR 240.17ad-22(e)(18)(iv)(A).

⁵³ 17 CFR 240.17ad-22(e)(18)(iv)(B).

⁵⁴ 17 CFR 240.17ad-22(e)(18)(iv)(A).

⁵⁵ 17 CFR 240.17ad-22(e)(18)(iv)(B).

independent third party to conduct the review. By providing this flexibility, the proposed rules acknowledge that Netting Members may have different organizational structures and internal capabilities, but would continue to apply the same ongoing monitoring and attestation obligations on all Members. Similarly, the fines and regulatory reporting measures that FICC is proposing to adopt to address non-compliance with the trade submission requirement, would apply equally to all Netting Members. Finally, FICC is also proposing to adopt a cure period to incentivize Netting Members to self-report any non-compliance with the requirement. In these ways, FICC believes the proposed rule changes are appropriate and designed in a way to minimize the impact the proposal could have on competition.

Therefore, while the proposed rule changes may cause some burden on competition, FICC believes that the proposed rule changes are necessary and appropriate in furtherance of the purposes of the Act.

FICC believes that some of the proposed enhancements to GSD's initial and ongoing membership standards under Rules 2A and 3 could impact competition and that impact could be a burden: (i) authorizing FICC, at its discretion, the option to engage external legal counsel to review the validity and enforceability of a Guarantor's guaranty, with the costs and expenses of such review being borne by the GSD applicant or Member; (ii) requiring an assessment of an applicant's business plan, by an independent third-party consultant, at the expense of the applicant, to assess the reasonableness and viability of the applicant's business plan, including its assumptions and projections; (iii) extending the required operating history of a GSD applicant from six months to one year; (iv) subjecting Members to increased fines, adequate assurances, or a risk management charge for failing to provide FICC requested information; and (v) authorizing FICC the option to apply an adequate assurances condition on Funds-Only Settling Bank Members that could limit the number of Netting Members for which the bank provides settlement services.

FICC believes that requiring GSD applicants and Members to bear the cost of external legal counsel that FICC would have the option to engage to review the validity and enforceability of a Guarantor's guaranty could impose a burden on competition on such applicants and Members because they could now be required to expend financial resources on something that they currently may not be required to do. Similarly, requiring an applicant to bear the cost of an independent third-party consultant to assess the reasonableness and viability of the applicant's business plan could impose a burden on competition for the same reason. However, in both circumstances, FICC does not believe the burden would be significant because FICC does not anticipate that these new authorities would be exercised often, nor does FICC believe the costs would be ongoing or extensive in consideration of the amount of funds it takes to engage in the securities industry as a FICC participant. Moreover, FICC believes that these costs are likely avoidable where the guaranty or business plan is sound, clear, complete, and leaves little open to question.

FICC believes that extending the required operating history of a GSD applicant from six months to one year could cause a burden on competition because the applicant's competitive position may rest on its FICC membership. The significance of this potential burden would likely depend on the facts and circumstances of each individual applicant. However, FICC notes that it

offers access to GSD services through its Sponsored Members service,⁵⁶ that one year of operating history is still not a long period, and that FICC maintains the option to alternatively consider, at FICC's discretion, whether the applicant has personnel with sufficient operational and financial background and experience if the one-year operating history is not yet met.

FICC believes that subjecting Members to increased fines, adequate assurances, or a risk management charge for failing to provide FICC requested information may cause a burden on competition because funds paid to or held by FICC means fewer financial resources available to the Member for, possibly, competitive engagement. However, FICC does not believe the burden would be significant because whether a Member is subject to such charges would be within the control of the Member and avoidable if the Member simply provides the information requested by FICC in a timely and complete manner.

Finally, FICC believes that providing it the option to subject a Funds-Only Settling Bank Member to an adequate assurances condition that limits the number of Netting Members for which the bank provides settlement services could cause a burden on competition for that Member because it could limit the bank's business. However, FICC does not believe such burden would be significant because FICC does not anticipate exercising this authority often, and the circumstance in which such a bank would be subject to such a condition is likely within the control of the bank (i.e., FICC would not be exercising this authority but for addressing a risk presented by the bank that the bank could likely control).

Regardless of their significance, FICC believes that the potential competitive burdens of these proposed changes are necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) thereof.⁵⁷ More specifically, FICC believes these proposed changes are necessary and appropriate in furtherance of Section 17A(b)(3)(F) of the Act⁵⁸ and Rule 17ad-22(e)(18)(ii) and (iii) promulgated thereunder.⁵⁹

First, FICC believes the proposed changes that could cause a burden on competition discussed above (i.e., independent review of a guaranty at the applicant or Member's cost; independent assessment of an applicant's business plan at the applicant's cost; extending the operating history requirement to one year; increasing and adding charges for failure to provide complete and timely information; and providing the option for an adequate assurance condition that could limit the number of Netting Member clients at a Funds-Only Settling Bank) are necessary in furtherance of Section 17A(b)(3)(F) of the Act⁶⁰ because they would improve FICC's ability to assess and manage applicants and Members, as applicable, to help ensure they can or will be able to meet their obligations to FICC and, to the extent Members are not

⁵⁶ See Rule 3A, *supra* note 1.

⁵⁷ 15 U.S.C. 78q-1(b)(3)(I).

⁵⁸ 15 U.S.C. 78q-1(b)(3)(F).

⁵⁹ 17 CFR 240.17ad-22(e)(18)(ii) and (iii).

⁶⁰ 15 U.S.C. 78q-1(b)(3)(F).

providing FICC with needed information or certain settling bank Members are presenting a unique risk, the proposed changes would provide enhanced charges and assurances to help incentivize Members and protect FICC. By furthering FICC's ability to assess, manage, incentivize, and seek assurances of its applicants and Members, as applicable, the proposed changes are necessary to improve FICC's ability to assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible, as required under Section 17A(b)(3)(F) of the Act, as cited above.

FICC also believes those proposed changes are necessary in furtherance of Rule 17ad-22(e)(18)(ii) and (iii) under the Act.⁶¹ As required by Rule 17ad-22(e)(18)(ii) and (iii), those proposed changes are reasonably designed to help ensure that (A) applicants and Members, as applicable, have sufficient financial resources and robust operational capacity to meet the obligations arising from participation in FICC, and (B) FICC has more meaningful tools to help ensure compliance with its Rules, all of which is in furtherance of and consistent with Rule 17ad-22(e)(18)(ii) and (iii) under the Act, as cited above.

Second, FICC believes those proposed changes are appropriate in furtherance of both Section 17A(b)(3)(F) of the Act⁶² and Rule 17ad-22(e)(18)(ii) and (iii)⁶³ promulgated thereunder because the changes are reasonably tailored, objective, risk-based, and agnostic in their application to applicants and Members, as applicable. In fact, FICC believes the potential burdens discussed above are, essentially, within the control of the applicant or Member, as applicable. For example, if the subject guaranty or business plan is sound, clear, complete, and leaves little open to question, then it is highly unlikely that the applicant or Member would incur the additional cost of an independent assessment. Similarly, if the applicant has personnel with sufficient operational and financial background and experience, then it may not need a year's worth of operating history. Finally, if the subject Member simply provides the information requested by FICC in a timely and complete manner, or the Funds-Only Settling Bank Member mitigates the risk at issue from its side, then the corresponding charges and assurances proposed would not likely be imposed. For these reasons, FICC believes those proposed changes are appropriate in furtherance of and consistent with Section 17A(b)(3)(F) of the Act and Rule 17ad-22(e)(18)(ii) and (iii) under the Act, as each are cited above.

FICC does not believe the proposal to make technical corrections and other clarification changes to the Rules would impact competition. These changes are being proposed to ensure the clarity and accuracy of the Rules. They would not change FICC's current practices or affect Members' rights and obligations. As such, FICC believes those changes would not have any impact on competition.

⁶¹ 17 CFR 240.17ad-22(e)(18)(ii) and (iii).

⁶² 15 U.S.C. 78q-1(b)(3)(F).

⁶³ 17 CFR 240.17ad-22(e)(18)(ii) and (iii).

5. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

FICC has not received or solicited any written comments relating to this proposal. If any written comments are received, they will be publicly filed as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission’s instructions on how to submit comments, available at www.sec.gov/regulatory-actions/how-to-submit-comments. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the SEC’s Division of Trading and Markets at tradingandmarkets@sec.gov or 202-551-5777.

FICC reserves the right not to respond to any comments received.

6. Extension of Time Period for Commission Action

FICC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act⁶⁴ for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

⁶⁴ 15 U.S.C. 78s(b)(2).

10. Advance Notice Filed Pursuant to Section 806(e) of the Payment, Clearing, and Settlement Supervision Act of 2010

Not applicable.

11. Exhibits

Exhibit 1 – Not applicable.

Exhibit 1A – Notice of proposed rule change for publication in the Federal Register.

Exhibit 2 – Not applicable.

Exhibit 3 – Not applicable.

Exhibit 4 – Not applicable.

Exhibit 5 – Proposed changes to the Rules.

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[_____]; File No. SR-FICC-2024-009)

[DATE]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change to Modify the GSD Rules Relating to the Adoption of a Trade Submission Requirement

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on June __, 2024, Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of modifications to FICC’s Government Securities Division (“GSD”) Rulebook (“Rules”)³ to (1) adopt a requirement that each Netting Member submits all eligible secondary market transactions, both for repurchase agreements and certain categories of cash transactions, to which it is a counterparty to FICC for clearance and settlement and define the scope of such trade submission requirement; (2) adopt ongoing membership requirements and other measures that would facilitate FICC’s ability to identify and monitor Netting Members’ compliance with the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Terms not defined herein are defined in the Rules, available at www.dtcc.com/~media/Files/Downloads/legal/rules/ficc_gov_rules.pdf.

trade submission requirement, and adopt fines and other disciplinary actions to address a Netting Member's failure to submit transactions in compliance with that requirement; (3) enhance the Rules relating to the initial qualifications and ongoing standards for membership to improve FICC's ability to manage the credit risks presented by Netting Members; and (4) make other revisions to the Rules to clarify, conform and enhance the disclosures of the Rules, as described below.

These proposed rule changes are primarily designed to comply with the requirements of Rule 17ad-22(e)(18)(iv)(A) and (B) under the Act, as described below.⁴

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Executive Summary

On December 13, 2023, the Commission adopted amendments to the covered clearing agency standards that apply to covered clearing agencies that clear transactions

⁴ 17 CFR 240.17ad-22(e)(18)(iv)(A) and (B). See Securities Exchange Act Release No. 99149 (Dec. 13, 2023), 89 FR 2714 (Jan. 16, 2024) ("Adopting Release", and the rules adopted therein referred to herein as "Treasury Clearing Rules").

in U.S. Treasury securities, including FICC.⁵ These amendments require, among other things, that FICC establish objective, risk-based, and publicly disclosed criteria for participation that (i) require FICC's Netting Members submit for clearance and settlement all of the eligible secondary market transactions to which they are a counterparty; and (ii) identify and monitor Netting Members' submission of eligible secondary market transactions to which they are a counterparty, including how FICC would address a failure to submit transactions in accordance with this requirement.⁶

Therefore, under the Treasury Clearing Rules, FICC must require its Netting Members, as direct participants, to submit all eligible secondary market transactions to which they are a counterparty to it for central clearing. FICC is also obligated to adopt provisions that would facilitate its monitoring of Netting Members' compliance with the trade submission requirement and how it would address a Member's failure to comply. As described below, the proposed rules are designed to comply with those requirements.

First, the proposed changes would adopt an ongoing membership requirement that all Netting Members submit to FICC for clearance and settlement eligible secondary market transactions to which they are a party in a new GSD Rule 5 and would specify the scope of this requirement by defining "Eligible Secondary Market Transactions". The proposed rules would adopt the definition of Eligible Secondary Market Transactions and related definitions from the Treasury Clearing Rules,⁷ and would conform certain aspects of those defined terms to the GSD Rules to provide Netting Members with clarity on the

⁵ Supra note 4.

⁶ Id. 17 CFR 240.17ad-22(e)(18)(iv)(A), (B).

⁷ Supra note 4. See also 17 CFR 240.17ad-22(a).

scope of this trade submission requirement. FICC would also incorporate language into the defined terms that provides further clarification of the scope of this requirement, as described in greater detail below.

Second, the proposed changes would adopt provisions to enable FICC to identify and monitor Netting Members' ongoing compliance with the proposed trade submission requirement. These provisions would include affirmative obligations of Netting Members to notify FICC of non-compliance and confirm their ongoing compliance with this requirement. These provisions would also provide FICC with the authority to request information or review a Netting Member's books and records to monitor and verify, as needed, such compliance. Therefore, FICC's proposal would require Netting Members to utilize their existing frameworks for monitoring adherence to applicable regulatory obligations – specifically, their compliance and independent audit functions – to monitor and affirm their ongoing compliance with the trade submission requirement. FICC's authority to request information and examine a Netting Member's books and records would allow FICC to take affirmative action when it deems such action necessary to fulfill its requirement to identify and monitor Netting Members' compliance with the requirement.

The proposed rule changes would also adopt disciplinary measures FICC would take if a Netting Member fails to meet its obligations under the new rules, which would include continuing fines until the failure has been remediated and notifications to applicable regulatory authorities. This fine would be incorporated into the GSD Fine Schedule.

In adopting the Treasury Clearing Rules, the Commission recognized the benefits central clearing brings to the markets served by a central counterparty, like FICC, and, consequently, the importance of the risk management measures employed by central counterparties.⁸ Therefore, in connection with adopting the trade submission requirement, these proposed rule changes would also include enhancements to the initial qualifications for direct membership with GSD and the ongoing membership obligations of Netting Members. The proposed enhancements would improve the clarity and transparency of the GSD Rules regarding the standards for membership and would provide FICC with additional measures to strengthen its ability to manage the counterparty credit risks that are presented by its Netting Members.

Finally, the proposed rule changes would include non-substantive revisions to re-organize, clarify and conform the GSD Rules, as described below.

Background

FICC, through GSD, serves as a central counterparty and provider of clearance and settlement services for the U.S. government securities markets. GSD's central counterparty services are available directly to entities that are approved to be Netting Members and indirectly to other market participants through its indirect access models – the Sponsored Service or correspondent clearing / prime broker services.⁹ FICC's direct

⁸ Supra note 4.

⁹ See Rule 2 (Members) (providing that FICC shall make its services available to entities that are approved to be Members of GSD); Rule 3A (Sponsoring Members and Sponsored Members) (describing the Sponsored Service) and Rule 8 (Executing Firm Trades) (currently describing the correspondent clearing / prime broker services), supra note 3. FICC has separately proposed enhancements to its access models, including revisions to rename the correspondent clearing / prime broker service as the Agent Clearing Service, designed to facilitate greater

participants include brokers, dealers, inter-dealer brokers and both U.S. and non-U.S. banks. Currently, other market participants, including investment funds, pension plans and other buy-side institutions, generally access GSD's central counterparty services through one of its indirect access models.

Through GSD, FICC provides real-time trade matching, clearing, risk management and netting for cash purchases and sales of eligible securities, as well as repurchase and reverse repurchase transactions involving eligible securities ("Repo Transactions"). Eligible securities include securities issued by the U.S. Treasury Department ("U.S. Treasury Securities") and securities issued or guaranteed by U.S. government agencies and government sponsored enterprises.¹⁰

In its role as central counterparty, FICC novates eligible transactions that are submitted to it for clearance and settlement. Novation is defined in the Rules as the termination of deliver, receive, and related payment obligations between Netting Members and the replacement of such obligations with identical obligations to and from FICC, pursuant to the provisions of the Rules, and occurs at the time a submitted transaction is compared by FICC.¹¹ As recognized by the Commission in the Adopting Release, by "novating transactions (that is, becoming the counterparty to both sides of a transaction), [FICC] addresses concerns about counterparty risk by substituting its own

access to its services. See Securities Exchange Act Release No. 99817 (Mar. 21, 2024), 89 FR 21362 (Mar. 27, 2024) (SR-FICC-2024-005).

¹⁰ See definition of "Eligible Securities" in Rule 1, supra note 3.

¹¹ See definition of "Novation" in Rule 1, supra note 3.

creditworthiness and liquidity for the creditworthiness and liquidity of the counterparties.”¹²

The Adopting Release identifies the important operational, risk management and other benefits of central clearing, which include the reduction in counterparty credit risk through novation of trades by the central counterparty, centralized default management, and efficiencies provided by multilateral netting.¹³ The efficacy of FICC’s own risk management framework is critical to its ability to provide these benefits to the market it serves. This framework includes initial and ongoing participation criteria and requirements relating to financial resources, creditworthiness and operational capability.

These membership standards are designed to limit the risks a Netting Member may present to FICC and the other Netting Members by ensuring, among other things, that applicants to be Netting Members have the financial and operational capabilities to meet the obligations of membership on an ongoing basis. The Rules also provide FICC with the ability to monitor Netting Members’ adherence to continued suitability for membership. These requirements are designed to balance appropriate risk management with providing fair and open access by market participants; they are objective, risk-based, and are set forth in Rules 2A and 3.

Description of Proposed Rule Changes

1. *Adopt Trade Submission Requirement and Define Scope of Requirement*

The proposed rule changes would adopt an ongoing membership obligation that each Netting Member submit to FICC for clearance and settlement all “Eligible

¹² Supra note 4, at 8-9.

¹³ Supra note 4, at 14-17.

Secondary Market Transactions” to which it is a counterparty. This requirement would be added to a new Rule 5¹⁴ and would be adopted to comply with the amendments to Rule 17ad-22(e)(18)(iv)(A) under the Act.¹⁵

Rule 5 would also provide that Netting Members are permitted, but not required, to submit to FICC transactions that are outside the scope of the new trade submission requirement.

a. Scope of Trade Submission Requirement

The proposed rule changes would specify the scope of the trade submission requirement by adopting the definition of “Eligible Secondary Market Transactions” and other related definitions from the Treasury Clearing Rules.

The Commission’s definition of Eligible Secondary Market Transactions includes secondary market transactions in U.S. Treasury Securities where the transaction is of a type that is accepted by FICC for clearance and settlement and is one of three specified types of transactions. FICC would adopt this language as codified in the definition of “Eligible secondary market transaction” in Rule 17ad-22(a) under the Act,¹⁶ with revisions to conform the language of the definition to defined terms in the Rules. Specifically, FICC would adopt a new defined term for “U.S. Treasury Securities” in Rule 1 and would use this term in the definition. FICC would also replace reference to

¹⁴ The rules currently in Rule 5, describing the Comparison System, would be moved to a new Rule 6. References to Rule 5 would be updated throughout the Rules to reflect this change. See definitions of “Novate” and “Yield Comparison Trade” in Rule 1; Sections 6 and 7 of Rule 3A; and Section 9 of Rule 3B. Supra note 3.

¹⁵ 17 CFR 240.17ad-22(e)(18)(iv)(A).

¹⁶ 17 CFR 240.17ad-22(a).

“clearance and settlement” in the definition with its defined term for “Novation”, which, as described above, encompasses its central counterparty role in the clearance and settlement process.

Rule 5 would further provide, as required by the Treasury Clearing Rules, that Eligible Secondary Market Transactions that meet the initial criteria must also be one of three types of transactions: (1) any Repo Transaction collateralized by U.S. Treasury Securities in which at least one counterparty is a Netting Member; or (2) purchase or sale cash transactions in U.S. Treasury Securities between a Netting Member and (a) any counterparty if the Netting Member brings together multiple buyers and sellers using a trading facility (such as a limit order book) and is a counterparty to both the buyer and seller in two separate transactions; or (b) a Broker or Dealer. Again, FICC would adopt this language from the statutory definition of Eligible Secondary Market Transactions, with revisions only to incorporate defined terms from the Rules. For example, FICC would replace references to “direct participant” in the statutory definition of Eligible Secondary Market Transactions with “Netting Member” and would use the defined terms for “Broker” and “Dealer” from Rule 1.

FICC would also adopt new defined terms to improve the clarity of the scope of the trade submission requirement. Such revisions would not change the scope or applicability of the statutory definition of Eligible Secondary Market Transactions and would be intended only to provide clarity regarding the applicability of this term within the Rules.

First, FICC would define “Treasury Repo Transaction” in Rule 1 to mean a Repo Transaction collateralized by Eligible Treasury Securities. FICC would use this new

defined term in the definition of Eligible Secondary Market Transactions. Second, FICC would define “Buy/Sell Transactions” in Rule 1 to mean a Transaction that is either the purchase or sale of an Eligible Netting Security in exchange for cash for which the trade data is submitted to FICC for Novation. FICC would use this term in the definition of Eligible Secondary Market Transactions.¹⁷

The statutory definition of Eligible Secondary Market Transactions also specifically excludes four types of Repo Transactions. FICC would similarly adopt these exclusions, updating the language only to incorporate defined terms to improve the clarity of the requirement. For example, FICC would use the proposed definition of “Treasury Repo Transaction” in each of the four exclusions from the definition of Eligible Secondary Market Transactions.

The statutory exclusions to the trade submission requirement that FICC would include in Rule 5 are (1) Treasury Repo Transactions and Buy/Sell Transactions in which one of the counterparties is a central bank, a sovereign entity, an international financial institution, or a natural person; (2) Treasury Repo Transactions in which one of the counterparties is either a U.S. covered clearing agency, a derivatives clearing organization or a foreign central counterparty; (3) Treasury Repo Transactions in which one of the counterparties is a state or local government; and (4) Treasury Repo Transactions in which one of the counterparties is an “Affiliated Counterparty” of the

¹⁷ The term “Buy/Sell Transaction” would also be used in the definition of “Bilateral Transaction” and “Brokered Transaction” in Rule 1 to clarify the meaning of those terms and would replace lowercase uses of this term in other places in the Rules with the proposed defined term. Supra note 3.

Netting Member, provided that the affiliate submits to FICC for Novation all other Treasury Repo Transactions to which it is a counterparty.

For the first exclusion, FICC would adopt the statutory definitions of “Central Bank”, “Sovereign Entity”, “International Financial Institution” and “Local Government” into Rule 1 from Rule 17ad-22(a) under the Act, without any alteration to these definitions.¹⁸

For the fourth exclusion from the trade submission requirement, FICC would adopt the statutory definition of “Affiliated Counterparty” but would include in this definition additional language to allow the definition to interoperate with the Commission’s application and interpretation of this particular exclusion. Specifically, FICC would provide that an “Affiliated Counterparty” means a counterparty that meets the specified criteria “*or as otherwise may be provided for by the SEC pursuant to the Exchange Act*”. FICC is proposing to include this language to make clear that this defined term is intended to incorporate the Commission’s own application and interpretation of this exclusion from the scope of the trade submission requirement.¹⁹ The additional language proposed to the defined term would allow FICC to continue to apply

¹⁸ 17 CFR 240.17ad-22(a).

¹⁹ Additionally, the Adopting Release discusses how the exclusion for Affiliated Counterparties is conditioned on the affiliate submitting all Treasury Repo Transactions to which it is a counterparty for central clearing. However, the Adopting Release also specifies that “[b]y referring to all other repos or reverse repos, the exemption clarifies that the requirement does not encompass transactions between the [Netting Member] and the [Affiliated Counterparty], *i.e.*, the transactions that are excluded, and also does not encompass the [Affiliated Counterparty’s] transactions that would otherwise be excluded” from the trade submission requirement under other exclusions described above. Supra note 4, at 86.

the Commission's interpretation of this definition, including any further interpretation that the Commission may provide through future rulemaking.

FICC is also proposing to clarify language in the Rules to make clear that a bank and its branches must all apply under the same membership, as one Bank Netting Member. This proposed revision would clarify that a branch and its parent bank are considered the same legal entity under the GSD Rules and not separate affiliates. The proposed changes would remove reference to a bank applying for membership through its branch or agency from various places in Rules 2A and 3, including (1) updating eligibility to be a Bank Netting Member to remove the limitation that non-U.S. banks participate through a U.S. branch in Section 3(a)(i) of Rule 2A; (2) updating the description of financial requirements applicable to Foreign Persons that are banks to remove reference to an application for membership through a U.S. branch in Section 3(b)(ii)(E)(2) of Rule 2A; and (3) removing reference to a bank's branch in the description of the annual attestation that must be provided by non-U.S. bank Netting Members in Section 2(iii)(a) of Rule 3.

b. Remove Existing Trade Submission Requirements

In connection with adopting this trade submission requirement, FICC would remove the existing trade submission requirements from the GSD Rules. These requirements are currently set forth in Section 3 of Rule 11, Section 2 of Rule 15, and Section 2 of Rule 18.

Section 3 of Rule 11 requires Netting Members to submit data on all of that Netting Member's trades other than Repo Transactions (i) with other Netting Members that are eligible for netting and (ii) executed by a Covered Affiliate (as defined in Rule 1)

that meet certain criteria. Section 2 of Rule 18 includes an identical trade submission obligation with respect to trade data on Netting Members' Repo Transactions. Both Rules exclude certain trades from the submission requirement, including trades executed between Netting Members and their Affiliates (defined in these Rules as "Affiliate Trades"). Section 2 of Rule 15 requires that certain broker Netting Members submit to FICC trade data regarding their brokered activity upon FICC's request.

FICC is proposing to remove these provisions from the Rules.²⁰ The activity that would be required to be submitted to FICC pursuant to the trade submission requirement proposed to be added to Rule 5 pursuant to the Treasury Clearing Rules would include activity that is covered by these existing requirements. Therefore, FICC believes it is unnecessary to retain these trade submission requirements in the Rules with the adoption of the new requirements to Rule 5.

In connection with this change FICC would delete the defined term "Covered Affiliate" from Rule 1.

c. Retain Prohibition Against Pre-Netting Trade Data

FICC is proposing to move and consolidate the existing restriction against pre-netting practices from Section 3 of Rule 11 and Section 2 of Rule 18 into Section 4 of the new Rule 5. These provisions provide that any trade data that is required to be submitted to FICC must be submitted on a trade-by-trade basis with the original terms of the trade unaltered, and specifically prohibits pre-netting practices. The receipt of unaltered trade

²⁰ FICC has separately proposed to remove Section 1 of Rule 15, see Securities Exchange Act Release No. 99817 (Mar. 21, 2024), 89 FR 21362 (Mar. 27, 2024) (SR-FICC-2024-005). Therefore, with the proposed removal of Section 2 of Rule 15, Rule 15 will be revised to be reserved for future use.

data permits FICC's market risk management processes to monitor trades closer to the time of execution and manage the risk exposures of those trades earlier in the day. Maintaining the prohibition against pre-netting practices for trades that are required to be submitted to FICC will, therefore, support the application of the risk management benefits of central clearing to this trading activity and support the goals of the Treasury Clearing Rules.

In moving and consolidating these provisions into Rule 5, FICC would also update the disciplinary action it may take if a Netting Member fails to comply with these requirements. Currently, Rules 11 and 18 provide that a Netting Member that violates this requirement "may be reported to the appropriate regulatory body, placed on the Watch List and/or subject to an additional fee" and that FICC may further discipline the Netting Member pursuant to Rule 48.²¹ FICC is proposing to remove these disciplinary measures and instead provide that a Netting Member that has violated the prohibition against pre-netting practices pursuant to the new Section 4 of Rule 5 may be subject to an existing provision in the Rules that requires, in certain circumstances, an additional charge to a Netting Member's Required Fund Deposit, which would, as part of this proposed rule change, be defined as a "Credit Compliance Charge".

FICC currently has the authority to collect an additional charge as part of a Netting Member's Required Fund Deposit if the Member fails to comply with applicable continuing membership standards, pursuant to Section 8 of Rule 3.²² This additional

²¹ Section 3 of Rule 11, Section 2 of Rule 18, supra note 3. See also Rule 48 (addressing FICC's general authority to discipline any Member for violation of the Rules), id.

²² Supra note 3.

amount is currently calculated as equal to the greater of either: (i) \$1,000,000, or (ii) 25 percent of the normal calculation of the Netting Member's Required Fund Deposit. FICC proposes to define this existing additional charge as the "Credit Compliance Charge" and replace the description of this charge in Rule 3 with a defined term in Rule 1 and in the Margin Component Schedule.²³ Because the prohibition against pre-netting practices is designed to support FICC's risk management of trades submitted for clearance and settlement, FICC believes this charge is an appropriate disciplinary measure for a violation of the requirement. This proposed change would apply a disciplinary measure that is consistent with the disciplinary measure applicable when a Netting Member fails to comply with other membership obligations that are also designed to mitigate risk presented to FICC and its other Netting Members.

In connection with this proposed change, FICC would also delete the defined term for "Pre-Netting of Trades" from Rule 1 as that term would be incorporated into the new Section 4 of Rule 5.

2. *Adopt Provisions to Monitor and Enforce the Trade Submission Requirement*

The proposed changes would adopt provisions to facilitate FICC's ability to identify and monitor the trade submission requirement. These proposed changes would specify FICC's ability to request information from both the Netting Member and from its applicable regulatory authority, and to review Netting Members' books and records, as

²³ FICC recently proposed changes to the Rules that would move the margin calculation methodology, including the relevant defined terms currently located in Rules 1 and 4, into a new Margin Component Schedule. See Securities Exchange Act Release No. 99844 (Mar. 22, 2024), 89 FR 21603 (Mar. 28, 2024) (SR-FICC-2024-007). Therefore, FICC is proposing to also describe the calculation of the Credit Compliance Charge in the proposed Margin Component Schedule.

and when FICC deems it necessary to monitor Members' compliance with the requirement. The proposed changes would also adopt affirmative, ongoing membership obligations of Netting Members to monitor their own continuous compliance with the requirement, proactively report any instances of non-compliance with the requirement, and periodically affirm ongoing compliance to FICC, as described below.

While FICC would adopt provisions that would allow it to request information from Netting Members and their applicable regulatory authority, and to inspect Netting Members' books and records when it deems such review necessary, given that Netting Members' internal operations, organizational structures and trading practices vary greatly, FICC believes it is also appropriate to apply an approach that entails some degree of Netting Member self-monitoring and self-reporting under the general obligation to comply with FICC's ongoing membership requirements. Therefore, and as recommended in the Adopting Release,²⁴ FICC is proposing to require that Netting Members monitor their own compliance with the requirement and affirm such compliance to FICC through a written attestation and report, as described in detail below.

a. FICC's Authority to Request Information and Inspect Books and Records

FICC would describe in Section 2 of Rule 5 its authority to take certain actions, and Netting Members' agreement to comply with such actions, in connection with its monitoring of Netting Members' ongoing compliance with the trade submission

²⁴ Supra note 4, at 129 (“... U.S. Treasury securities CCA could require direct participants to submit to the CCA information regarding their U.S. Treasury securities transactions or to require attestations from senior officials of the CCA's direct participants as to their submission of the required transactions and compliance with their obligations to submit such transactions.”)

requirement. FICC currently has the authority to take each of these actions under Rules 2A and 3 in connection with its monitoring of Members' compliance with the requirements of membership generally. Therefore, FICC is not proposing to expand its authority to request information, or review the books and records of its Members, but would clarify that it may exercise these existing rights in connection with its monitoring of the trade submission requirement.

First, Netting Members would be required to submit to FICC any reports or other information that FICC may reasonably request, as also set forth in Section 2 of Rule 3, which requires that Netting Members submit to FICC "the reports, financial or other information set forth below and such other reports, financial and other information as the Corporation from time to time may reasonably require." The proposed rule change would specify that this information could include, for example, reports of trading activity, trade data, and the Netting Member's policies, procedures or other controls related to its compliance with the trade submission requirement. Second, Netting Members would agree that FICC may inspect their books and records, as also set forth in Section 10 of Rule 3. Finally, Netting Members would authorize FICC to request information regarding a Netting Member from that firm's Designated Examining Authority or Appropriate Regulatory Agency, which FICC may also do under Rule 2A, Section 6 in evaluating an applicant to be a Netting Member. This provision would incorporate a suggestion in the Adopting Release that reviewing information from regulatory organizations would be an appropriate method for FICC to assess its Netting Members'

compliance with the requirement.²⁵ The proposed rule would specify that the information that FICC may request from such authority or agency could include, for example, information related to such authority or agency's examination of the Netting Member's trading practices, trading reports and other records.

As noted above and described below, FICC would primarily rely on Netting Members to monitor their own compliance with the trade submission requirement. However, these proposed changes to clarify FICC's existing rights to request information and examine Netting Members' books and records would allow FICC to verify such compliance, for example, before it takes action to enforce the requirement.

b. Requirement to Notify FICC of Non-Compliance

Second, the proposed rule changes would require each Netting Member to notify FICC in writing within 2 Business Days from the date on which it learns that it is no longer in compliance with the trade submission requirement. Currently, under Section 7 of Rule 3, Members are required to notify FICC if they are no longer in compliance with the qualifications, standards or other requirements of membership.²⁶ This proposed rule change would clarify for Members the application of this existing requirement to a failure to comply with the trade submission requirement.

The proposed rule change would also specify that notification of non-compliance shall include all relevant facts that are known to the Netting Member at the time of the

²⁵ See *id.*, ("The Commission further agrees that a U.S. Treasury securities CCA also could review publicly available information and information made available to it by regulatory and self-regulatory organizations as part of its assessment of its direct participants' compliance.").

²⁶ Section 7 of Rule 3, *supra* note 3.

notification and would identify examples of such information. Examples of such relevant facts would include (i) the approximate duration of the non-compliance with the trade submission requirement; (ii) either the time when non-compliance with the trade submission requirement was remediated or the anticipated steps to be taken to remediate such non-compliance and the approximate time when non-compliance is expected to be remediated; and (iii) identification and contact information of the member of the Netting Member's Controlling Management (as such term is defined in the Rules)²⁷ that is overseeing the matter.

FICC believes this information would assist it in assessing the status and extent of the Netting Member's non-compliance with this requirement and the appropriate, applicable disciplinary measures. As discussed below, FICC would provide Netting Members that self-report non-compliance with the trade submission requirement with a cure period before applying disciplinary measures. Finally, by requiring that a Netting Member identify a member of its Controlling Management that is overseeing the matter, the proposed rule change would ensure that the Netting Member has appropriately escalated the non-compliance internally and that the matter is being addressed by its senior management.

²⁷ See Rule 1 ("The term "Controlling Management" shall mean the Chief Executive Officer, the Chief Financial Officer, and the Chief Operations Officer, or their equivalents, of an applicant or Member or such other individuals or entities with direct or indirect control over the applicant or Member; provided that with respect to a Registered Investment Company Netting Member or an applicant to become a Registered Investment Company Netting Member, the term "Controlling Management" shall include the investment manager."), supra note 3. See discussion below regarding a proposed change to include a Netting Member's Chief Risk Officer to this definition.

c. Annual Trade Submission Attestation

Third, the proposed changes would require each Netting Member to provide FICC with an annual attestation regarding its ongoing compliance with the trade submission requirement. The requirement to provide this attestation would be included in Section 2 of Rule 5, and the attestation would be described in Section 2(iii)(c)(1) of Rule 3, as an ongoing requirement of membership. FICC would also adopt a definition of the “Annual Trade Submission Attestation” in Rule 1.

The Annual Trade Submission Attestation would be required to be submitted to FICC by each Netting Member no less than annually, and FICC would set the date such attestations are due on an annual basis. Such an attestation would be signed by the Netting Member’s Chief Compliance Officer or most senior authorized officer of the Netting Member who performs a similar function. FICC believes that a Netting Member’s Chief Compliance Officer, or similar senior officer, is the appropriate level of authority to sign and deliver this attestation as such officers are typically responsible for monitoring a firm’s compliance with applicable laws, regulations, and other ongoing requirements.

Each Annual Trade Submission Attestation would be required to be on a form that is provided by FICC and would include the following attestations, as would be set forth in Rule 3: (i) the attesting officer has read and understands the trade submission requirement set forth in Rule 5; (ii) the Netting Member has established, maintains and enforces policies, procedures or other controls that are reasonably designed to ensure ongoing and continued compliance with the trade submission requirement; (iii) such controls are reasonably designed to promptly identify and remediate any occurrences of

non-compliance with the trade submission requirement; and (iv) the Netting Member has, at all times during the 12 months prior to the date of the attestation, complied with the trade submission requirement set forth in Rule 5.

Netting Members have an existing similar requirement to submit an annual attestation with respect to their obligations to the Capped Contingency Liquidity Facility under Rule 22A. Therefore, while this attestation covers a different area of ongoing membership requirements, the requirement will not be unfamiliar to existing Netting Members.

FICC would adopt a fine in the Fine Schedule that would apply when a Netting Member fails to submit the Annual Trade Submission Attestation on time and in the form required. The fine would be \$10,000, would apply on the Business Day following the day on which the attestation was required to be provided to FICC and would continue to be applied every 10 Business Days until the completed and correct attestation is provided to FICC. By setting this fine at a relatively higher value than other existing fines and by structuring the fine to be applied periodically until this requirement has been fulfilled, FICC believes this continuing fine would be an appropriate and effective measure to deter non-compliance and signal to Netting Members that the delivery of the attestation is an important obligation of membership.

d. Triennial Independent Trade Submission Review and Report

FICC is proposing to require that each Netting Member conduct an independent review of its ongoing compliance with the trade submission requirement on a triennial basis and provide a report of that review to both FICC and the Netting Member's most senior governing body. FICC believes that a more comprehensive review of a Netting

Member's compliance, performed by an independent body on a less frequent basis would be an important mitigant to any contravention of the trade submission requirement. The requirement to conduct a review and provide a report of the review to FICC would be included in Section 2 of Rule 5, and the review and report would be described in Section 2(iii)(c)(2) of Rule 3, as an ongoing requirement of membership. FICC would also adopt definitions of the "Triennial Independent Trade Submission Review" and the "Triennial Independent Trade Submission Report" in Rule 1.

The Triennial Independent Trade Submission Review would be required to be conducted following procedures and standards that each Netting Member has established to ensure the review is comprehensive and adequate to sufficiently assess and confirm the Netting Member's ongoing compliance with the trade submission requirement for the three-year period prior to the review. Because each Netting Member's review would need to be appropriate for its own business practices and organization, FICC would permit each Netting Member to establish its own procedures and standards for conducting this review. FICC would have the authority, as discussed above, to review such procedures and standards when it deems necessary to confirm they are designed to ensure an appropriate assessment of compliance pursuant to the Rules.

The proposed rule would permit Netting Members to engage either an internal independent group or an external third party to conduct this review. An independent external third party could include, for example, an auditor, consultant, or other independent firm that has experience providing independent attestations, certifications or opinions in the securities market industry. Netting Members that choose to engage an external independent third party to conduct the Triennial Independent Trade Submission

Review would need to receive FICC's prior approval of that third party. In approving an independent third party, FICC would verify that the third party has the requisite expertise, as set forth in the Rules, to conduct the triennial review. If a Netting Member chooses to use an internal independent group to conduct the triennial review, such group must report directly to the Netting Member's board of directors, a committee of that board or to the equivalent senior most governing body. Such requirement would ensure the independence of this group from the business areas that are subject to the review.

Allowing Netting Members to choose to use either an internal group or an external third party to conduct the Triennial Independent Trade Submission Review provides flexibility and acknowledges the different internal capabilities and resources of different Netting Members.

Each Netting Member would be required to complete a report of the Triennial Independent Trade Submission Review, in a form that would be prescribed by FICC, that is signed by the individual who oversaw the review and, similar to the annual attestation, by the firm's Chief Compliance Officer or most senior officer who performs a substantially similar function. FICC would require that Netting Members provide the Triennial Independent Trade Submission Report to its board of directors or equivalent senior most governing body, before delivering the report to FICC. FICC believes that involving the senior leaders at a Netting Member in the triennial review and report would allow for appropriate oversight and would signal the criticality of compliance with this trade submission requirement to senior levels of a Netting Member's organization.

Proposed Section 2(iii)(c)(2) of Rule 3 would identify the components of the Triennial Independent Trade Submission Report, which would (i) describe the

procedures, methodology and/or standards employed in conducting the Triennial Independent Trade Submission Review, (ii) identify the books, records, processes, operations and/or controls of the Netting Member that were examined in conducting the triennial review; and (iii) state the conclusions of the review, including whether the Netting Member has complied with the trade submission requirement on an ongoing basis during the period covered by the review.

FICC would adopt a fine in the Fine Schedule that would apply when a Netting Member fails to complete the triennial review and submit the triennial report to FICC by the time and in the form prescribed by FICC. The fine would be \$15,000 and would apply on the Business Day following the day on which the attestation was required to be provided to FICC and would continue to be applied every 10 Business Days until the completed and correct attestation is provided to FICC.

Section 2(iii)(c)(2) of Rule 3 would address what would occur if FICC determines, in its sole discretion, that a Triennial Independent Trade Submission Review conducted on behalf of a Netting Member is incomplete, inadequate or otherwise does not meet the requirements of the Rule. If this were to occur, the Rule would provide that FICC shall require the Netting Member to complete a revised review that addresses the deficiencies of the prior review and would impose a fine on the Netting Member as if such firm had not submitted a Triennial Independent Trade Submission Report. Such fine would continue to apply until the revised report is provided to FICC.

e. Enforcement of Trade Submission Requirement

Finally, Section 3 of Rule 5 would provide that a Netting Member that fails to comply with the trade submission requirement would be subject to a fine under the Fine

Schedule and that the Netting Member's Designated Examining Authority or Appropriate Regulatory Agency, as applicable, and the Commission would be notified of that failure. FICC believes that notice of a Netting Member's failure to comply with the trade submission requirement to other appropriate regulatory organizations is an appropriate measure and would be an effective deterrent to non-compliance.

Within the Fine Schedule, FICC would adopt a fine of \$20,000 and, similar to the fines that would be imposed for a failure to submit a required attestation or triennial report, the fine would continue to be assessed until FICC has determined, in its sole discretion, that the failure to comply has been remediated. FICC would assess this fine on a longer timeframe – every 30 Business Days – to provide Netting Members with an appropriate period of time to remediate non-compliance.

Section 3 of Rule 5 would provide Netting Members who notify FICC of their non-compliance with the trade submission requirement with a cure period of 10 Business Days before the applicable disciplinary measures are taken. FICC believes it is appropriate to adopt this cure period to encourage Netting Members to effectively monitor their own compliance with the requirement and notify FICC when non-compliance is discovered.

3. *Adopt Enhancements to the Initial Qualifications and Ongoing Membership Standards Applicable to Netting Members*

The proposed revisions to the Rules would also enhance the membership standards for applicants and Netting Members subject to GSD's initial and ongoing requirements under Rules 2A and 3. These enhancements, described below, are designed to clarify and strengthen GSD's membership standards to help mitigate the credit

exposure that Netting Members present and, thus, continue to promote the safety and soundness of FICC, its Members, and the industry it serves.

These proposed changes are consistent with the authority provided to FICC under Section 17A(b)(4)(B) of the Act, which provides that a registered clearing agency such as FICC may, among other things, deny participation to, or condition the participation of, any person if such person does not meet such standards of financial responsibility, operational capability, experience, and competence as prescribed by the rules of the registered clearing agency.²⁸ Furthermore, the registered clearing agency may examine and verify the qualifications of an applicant to be a participant in accordance with procedures established by the rules of the clearing agency.²⁹

First, FICC proposes to make several changes to Rule 2A, which addresses initial membership requirements. In addition to various technical, ministerial, supplemental, and other conforming and clarifying changes, FICC proposes the following changes to Rule 2A:

- Require applicants to always maintain adequate liquidity resources to meet their actual or projected funding obligations to FICC, as determined by FICC. Although already implicit in the Rules, explicitly stating this requirement would provide greater notice and transparency to applicants.
- In assessing the adequacy of an applicant's liquidity resources, authorize FICC to consider, for example, the source of liquidity and clearly state that FICC may deny membership to an applicant if the applicant is unable to

²⁸ 15 U.S.C. 78q-1(b)(4)(B).

²⁹ Id.

satisfactorily demonstrate to FICC, in FICC's judgement, that the applicant maintains adequate liquidity resources. Given the importance liquidity serves in supporting an applicant's resiliency, it is imperative that FICC be able to fully assess the quality and quantity of liquidity of its applicants.

- Update current language that addresses consideration of the financial resources of the applicant's parent company to more broadly address the financial resources of a Guarantor, as such term would be defined in Rule 1 by the proposal, since a guaranty may come from an entity other than the parent company, and allow such consideration to be made by FICC instead of its Board, as such a decision aligns better with FICC management than with the Board.
- When a guaranty is provided, (i) authorize FICC the option to engage external legal counsel to review the validity and enforceability of a Guarantor's guaranty, with the costs and expenses of such review being borne by the applicant or Member; and (ii) require a Guarantor to provide FICC the Guarantor's annual audited Financial Statements and such other information as FICC believes necessary or appropriate in order to assess the Guarantor's ability to guarantee the obligations of the applicant or Member to FICC for the duration of the guaranty. Given the importance that a Guarantor's guaranty plays in supporting an applicant, it is imperative that FICC be able to fully assess the validity of that guaranty and the Guarantor's financials.

- Clarify the concept of “business history” of an applicant to the “operating and management history and outlook” of the applicant, to more clearly encompass the scope of “business history” that FICC considers.
- Extend the required operating history of an applicant from six months to one year or, in the alternative, permit FICC to determine whether the applicant has not only personnel with sufficient operational background and experience, as currently allowed, but also sufficient financial background and experience as well, to conduct the business of the applicant. FICC believes one full year of operating history would be a better measure of the applicant’s wherewithal than merely six months, and that the financial background and experience of the applicant’s personnel are equally as important to consider as their operational background and experience.
- Require applicants to provide FICC with a business plan, supported by financial assumptions and projections that includes the applicant’s proposed use of GSD’s services that demonstrates, to the satisfaction of FICC, that the applicant has a viable plan to meet and sustain the financial and operational responsibility standards and financial obligations under the Rules. Absent a viable business plan, FICC could be exposed to greater risk from the applicant, if it were to become a Member.
- As part of an applicant’s membership application, allow FICC to require an assessment of the applicant’s business plan by an independent third-party consultant, at the expense of the applicant, to evaluate the reasonableness and viability of the plan, including its assumptions and projections, and explicitly

state that failure to provide such a plan, when requested, may result in denial of the application. Again, given the importance that a viable business plan can have in supporting an applicant's obligations to FICC, it is imperative that FICC be able to fully assess that plan.

- Explicitly authorize FICC to deny an applicant's application if FICC believes the applicant does not have individuals with relevant industry experience and appropriate history of compliance with laws and regulations staffed in the following senior management roles, as applicable, prior to activation of the applicant's membership: President and/or Chief Executive Officer, Chief Financial Officer, Chief Risk Officer (who would also be added to the current definition of "Controlling Management" in Rule 1), General Counsel, OFAC Officer and Cybersecurity Officer. Similar to having a viable business plan, it is important that Members are adequately staffed with key personnel to help manage the Member's obligations to FICC.
- Clarify, with respect to financial or other reports, opinions, or information (collectively, "information") that an applicant may be required to provide FICC, that (i) FICC may request such information as it deems not only appropriate but also necessary in order to evaluate the applicant's financial responsibility, operational, legal and regulatory capabilities, experience and competence; and (ii) such information may include, without limitation, documented risk management practices, liquidity stress tests, credit agreements, risk assessments, opinions of counsel and other independent professionals, audited financial statements (including, without limitation,

those of the applicant's Affiliates and/or Guarantor), consolidated and consolidating financial statements, financial projections, and organizational documents and charts (including, but not limited to, certificates of incumbency and the corporate structure of the applicant's Affiliates and/or Guarantor). Although already implicit in the Rules, clarifying this requirement would provide greater notice and transparency to applicants.

- Clarify that if FICC determines to apply a limitation or restriction on an applicant in lieu of applying a membership standard, as FICC is currently authorized to do, that such limitations and restrictions also include conditions and, in addition to the examples already provided in the Rules, such limitations, restrictions, and conditions also may include increased or adjusted ongoing membership financial requirements or an ongoing requirement to provide additional information or reports to FICC. Although already implicit in the Rules, clarifying this requirement would provide greater notice and transparency to applicants.
- Clearly authorize FICC to deny membership to an applicant if FICC becomes aware of any factor or circumstance about the applicant or its Controlling Management that may impact the suitability of the applicant as a Member, such as, without limitation, (i) if the applicant would be placed on the Watch List upon admission; (ii) concerns relating to compliance with anti-money laundering or sanctions laws, rules, and regulations; (iii) concerns relating to the amount or degree of leverage maintained or proposed to be maintained by the applicant; and/or (iv) pending, adjudicated or settled regulatory or other

legal actions involving the applicant or its management, including the applicant being subject to a Statutory Disqualification, as such term is defined in Rule 1. Although already implicit in the Rules, explicitly stating this authority would provide greater notice and transparency to applicants.

- If an applicant is denied membership, restrict the applicant from reapplying for membership until the applicant has demonstrated to the satisfaction of FICC that the applicant has adequately addressed the specific grounds upon which the application was denied. This change would help stop an applicant from immediately reapplying for membership and tying up FICC resources without first taking the time to address the underlying issue for the denial.

Second, FICC proposes to make several changes to Rule 3, which addresses ongoing membership requirements. In addition to various technical, ministerial, and other conforming and clarifying changes, FICC proposes the following changes to Rule 3:

- Expand the requirement that information provided to FICC under the Rules must be in English and move the requirement into Section 1 of Rule 3. Currently the requirement that information provided to FICC must be in English is at the end of Section 2 of Rule 3 and only applies to information that is provided to FICC under Rule 3. The proposed change would move this statement into Section 1, which addresses ongoing membership requirements generally, and would expand the requirement to apply to all information provided under the Rules.
- Update the type of financial information that FICC may, in its discretion, request from a Member's Affiliate and not just the Member's parent,

including Affiliates of Members that are a Broker or Dealer, U.S. bank or trust company, Futures Commission Merchant, or non-U.S. organized entity, to include the annual audited Financial Statements for the applicable fiscal year, certified by an independent certified public accountant and prepared in accordance with generally accepted accounting principles, of the Affiliate, and if annual audited Financial Statements are not available, allow FICC, in its discretion, to accept unaudited Financial Statements, audited consolidated Financial Statements, or other financial information of the entity, as applicable.

- Require Members to provide accurate, complete and timely responses to FICC's annual and periodic due diligence information requests, which could include, for example, the delivery of additional reports and other information. Although already implicit in the Rules, explicitly stating this requirement would provide greater notice and transparency to Members.
- Subject Members to (i) a fine, pursuant to the Fine Schedule; (ii) require adequate assurances of their financial responsibility and operational capability as provided for in Section 7 of Rule 3; and/or (iii) if the requested information is outstanding for more than 60 calendar days and until such time that the information is received by FICC to FICC's satisfaction, a Credit Compliance Charge, calculated pursuant to the Margin Component Schedule, added to the Required Fund Deposit of such Member, if the Member fails to provide accurate, complete and timely information, including responses to due diligence requests, in the manner requested. Although already subject to fines

for failing to timely provide financial and related information, expanding such fines to explicitly include failing to respond to other information requests, particularly due diligence requests, and adding the ability to assess adequate assurances or a Credit Compliance Charge, would further support the importance of Members providing timely responses to requests for key information.

- Clarify the timing and manner in which Members must notify FICC if a Member is no longer in compliance with applicable membership standards or is the subject of an investigation or proceeding, including the Member's Controlling Management, that would cause it to no longer meet an applicable membership standard, and that failure to provide such notification shall subject the Member to a fine. Although already implicit in the Rules, clarifying this requirement would provide greater notice and transparency to Members.
- Authorize FICC to require Funds-Only Settling Bank Members to provide adequate assurances that could limit the number of Netting Members for which the Funds-Only Settling Bank Member provides settlement services. Given the significant risk that Funds-Only Settling Bank Members present to FICC and Netting Members in settling for Netting Members, it is imperative that FICC be able to adequately mitigate that risk exposure, when needed, by limiting the number of Netting Members for which such a bank can settle, when FICC deems such measure necessary to mitigate risk presented by the Funds-Only Settling Bank Member.

- Clarify that the ongoing monitoring of Members includes, without limitation, monitoring through annual and periodic due diligence requests. Although already implicit in the Rules, clarifying this requirement would provide greater notice and transparency to Members.

Third, FICC proposes to make several changes to the Fine Schedule. In addition to various technical, ministerial, and other conforming and clarifying changes to the Fine Schedule, FICC proposes the following changes:

- Replace the “Financial Reports” fine category and associated fines with a new category titled “Reports, Information and Due Diligence Requests,” where the first, second, third, and fourth occasions for failing to timely provide such information would result in \$5,000, \$10,000, \$15,000, and \$20,000 fines, respectively, and provide that for more than four occasions, fines will be determined by FICC with the concurrence of the Board of Directors. FICC believes that providing a broader fine category, with higher fines, would help improve Member’s compliance with the obligation.
- Provide notice that (i) the fine for failure to deliver timely and accurate responses to due diligence requests, in the form required by FICC, would be assessed on the 31st Business Day following the day on which such responses are due; (ii) the fine for failure to deliver all other information would be assessed on the Business Day following the day on which such information is due; and (iii) in all cases, the applicable fine shall be assessed every 10 Business Days and shall increase by \$5,000 each time it is assessed, as shown in the Fine Schedule, until such responses have been delivered to FICC.

Providing better notice of when the fines will be assessed, and applying a continuing, meaningful fine for a Member's ongoing failure to comply, would help improve compliance with the obligation.

4. *Other Revisions and Clarifications to the Rules*

Finally, the proposed rule changes would make other revisions to clarify and conform provisions of the Rules to improve their accuracy and transparency.

First, the proposed rule changes would revise and clarify certain defined terms in Rule 1. The revisions would update the definition of "Affiliate" to replace a citation to a particular regulatory definition of this term set forth in rules promulgated under the Act, with the text of the particular regulatory definition of this term.³⁰ This revision would not change the meaning of this term as it is used in the Rules, but would provide further clarity by including the actual definition and not requiring a reader to find that definition in the cited regulation.

The proposed rule changes would also update the definition of "Designated Examining Authority" to include the appropriate regulatory bodies that may apply to other legal entity types and to permit FICC to choose the applicable regulatory body when a Member has multiple overseeing regulators. The additional regulatory authorities that would be included in this defined term are already listed along with the term Designated Examining Authority in Section 6 of Rule 3. Expanding the defined term to include these additional regulatory agencies in the defined term would allow FICC to remove that additional language from Rule 3 and simplify the uses of this term in other

³⁰ 17 CFR 230.405.

places in the Rules, including in Sections 2 and 3 of proposed Rule 5 regarding the monitoring and enforcement of the trade submission requirement.

The proposed rule changes would also update the defined term for “Eligible Treasury Security” to clarify the meaning of this term by using the new proposed defined term for “U.S. Treasury Security” and the existing defined term for “Eligible Security”.

Second, the proposed rule changes would reorganize the sections within Rules 2A and 3, regarding the initial and ongoing requirements of membership, to identify similar requirements together in the same sections and ensure members have a clear understanding of these obligations. In Rule 2A, these proposed changes would include adding subheadings to Section 5, which describes the various documents and other application requirements, to improve the transparency of this section and better identify these requirements to the reader.

These proposed changes would also rename Section 1 of Rule 3 “General” and move general statements that are applicable to the provisions of both Rule 3 and the Rules generally into this section. For example, Section 1 of Rule 3 would now include a statement that clarifies for Members which requirements apply when a firm qualifies for multiple types of Netting Member and would include and expand the requirement that information provided to FICC under the Rules generally must be in English, as discussed above.

The proposed changes to Rule 3 would also rename Section 2 “Financial Statements, Regulatory Reports and Other Reporting Requirements”, create subheadings to more clearly describe the types of information and reports that Netting Members must provide on an ongoing basis, and move other ongoing reporting requirements into new

Section 2(i). For example, Section 2(i) would include an existing ongoing requirement to provide regulatory reports that are submitted to a Member's regulatory supervisors and other authorities. The proposed changes would move all statements in Rule 3 regarding the timing of ongoing membership reporting requirements into a new Section 2(ii). The definition of "Financial Statements" would be moved out of Section 3 of Rule 3 and into Rule 1, with the other defined terms. The ongoing requirement that Members maintain a current Legal Entity Identifier would be moved into Section 3 of Rule 3.

The proposed changes to Rule 3 would also move the existing requirement that Members maintain or upgrade their systems into Section 6 of Rule 3, where other operational requirements are currently described. The proposed changes would add new subheadings to Section 7 of Rule 3, which describes the general continuance standards for membership, to make these standards easier to identify. The proposed changes would simplify the description of the requirement to notify FICC of events that impact a Member's compliance with applicable ongoing membership requirements in new Section 7(a) of Rule 3, and to specify that failure to provide this notification will result in a fine pursuant to the Fine Schedule. These proposed changes would not change Members' notification obligations or impose new disciplinary measures but would improve the clarity of these requirements in the Rules.

The proposed changes would move the description of the requirement that Netting Members that are Foreign Persons notify FICC if they become subject to disciplinary action by their home regulator to Section 9 of Rule 3, which already addresses the ongoing requirement that Members comply with applicable laws. Finally, the proposed changes would move the statement that a Netting Member may be required to provide

FICC with a legal opinion if FICC determines that the Member could be subject to “Legal Risk” (as such term is defined in the Rules) to Section 11 of Rule 3, which already addresses FICC’s ongoing monitoring of Members.

As noted above, these proposed changes are not intended to alter the requirements of Members or rights of FICC with respect to ongoing membership standards, but would re-arrange, clarify and simplify the descriptions in Rule 3 to improve the transparency of those provisions.

Third, the proposed rule changes would move descriptions of the ongoing and regular attestation, acknowledgement and certification requirements into new Section 2(iii) of Rule 3 and would amend the Fine Schedule to adopt fines that would be assessed for a failure to deliver such attestations when required. The attestations that would be included in this new subsection are (1) an existing requirement that Bank Netting Members that are Foreign Persons provide an attestation on at least an annual basis regarding their capital requirements and capital ratios, which is currently described in Rule 3; (2) the existing requirement that Netting Members, Sponsoring Members and CCIT Members deliver a “Cybersecurity Confirmation” (as such term is defined in Rule 1) at least every two years, as currently described in Section 2 of Rule 3; (3) the proposed Annual Trade Submission Attestation and the proposed Triennial Independent Trade Submission Review and Report requirements that are proposed to be added to new Rule 5, as described above; and (4) the existing requirement that Netting Members provide an annual attestation and periodic acknowledgements regarding their obligations under the

Capped Contingency Liquidity Facility (“CCLF”, as such term is defined in the Rules) pursuant to Rule 22A, which is currently described in Rule 22A.³¹

In connection with these proposed changes, FICC would delete the definition of “Required Attestation”, which currently refers to the attestation regarding a Netting Member’s CCLF obligations and replace that definition with a defined term for “CCLF Attestation” in Rule 1, to better reflect the nature of this required attestation. FICC would also amend Rule 22A to remove the descriptions of the CCLF attestation and acknowledgement requirements and replace those descriptions with a reference to Rule 3.

FICC would also specify in the Fine Schedule the applicable fines for a failure to provide the attestations that would be identified in Section 2(iii) of Rule 3. While FICC has the authority under Rule 48 to take disciplinary action, including imposing a fine, if a Netting Member violates any provision of the Rules, the proposed change to specify the applicable fines for failure to deliver the Cybersecurity Confirmation and the CCLF attestation and acknowledgements would improve the transparency of the Rules and permit Members to better anticipate the consequences of failing to comply with these requirements.

Finally, the proposed rule changes would amend Sections 4(b)(iii) and 6 of Rule 2A and Section 5 of Rule 3 to remove references to FICC’s Board of Directors as being responsible for approving or authorizing certain actions and replacing such references

³¹ FICC recently proposed changes to the Rules to require that each Netting Member provide certain acknowledgements to FICC concerning their understanding of and ability to meet their CCLF obligations. See Securities Exchange Act Release No. 100137 (May 14, 2024), 89 FR 43938 (May 20, 2024) (SR-FICC-2024-008). The changes proposed herein would move the separately proposed disclosures of those acknowledgements from Rule 22A to Rule 3.

with references to FICC. As provided in Rule 44, action by FICC may include action by the Board or by another authorized person as may be designated by the Board from time to time. This proposed change would permit the Board to either retain the authority to take the actions specified in these sections of the Rules or to authorize management of FICC to do so, consistent with Rule 44 and the Board's authority under the FICC By-laws. Specifically, the Board's authority to empower management with certain responsibilities originates in the FICC By-laws, which have been filed as a Rule of FICC.³² The By-laws document the responsibilities of the Board in electing and appointing officers of FICC, and prescribing and assigning to those officers their respective powers, authority and duties.³³ This revision would simplify these statements in the Rules, consistent with Rule 44.

Implementation Timeframe

Subject to approval by the Commission, FICC expects to implement the proposal by no later than March 31, 2025, and would announce the effective date of the proposed rule change by an Important Notice posted to FICC's website.

As provided for in the Treasury Clearing Rules, while the Rules would be updated to reflect the changes proposed by this filing by no later than March 31, 2025, Netting Members would not be obligated to comply with the trade submission requirement proposed by this filing until December 31, 2025, with respect to Buy/Sell Transactions that are considered Eligible Secondary Market Transactions, and June 30, 2026, with

³² See Securities Exchange Act Release Nos. 54173 (July 19, 2006), 71 FR 42890 (July 28, 2006) (SR-DTC-2006-10, SR-FICC-2006-09, and SR-NSCC-2006-08); 82917 (Mar. 20, 2018) 83 FR 12982 (Mar. 26, 2018) (SR-FICC-2018-002).

³³ See Sections 3.2 through 3.9, id.

respect to Treasury Repo Transactions that are considered Eligible Secondary Market Transactions.

2. Statutory Basis

FICC believes the proposed changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. In particular, FICC believes the proposed rule changes are consistent with Section 17A(b)(3)(F) and (G) of the Act,³⁴ and Rules 17ad-22(e)(18)(ii), (iii), (iv)(A) and (B), and (e)(23)(ii), each promulgated under the Act,³⁵ for the reasons described below.

Section 17A(b)(3)(F) of the Act requires that the rules of FICC be designed to, among other things, promote the prompt and accurate clearance and settlement of securities transactions and assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible.³⁶

The proposed rule changes to require that each Netting Member submit to FICC for Novation all Eligible Secondary Market Transactions to which it is a counterparty would promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act, by ensuring that such transactions are subject to the risk mitigation benefits of central clearing at FICC. Such benefits are described by the Commission in the Adopting Release and include, for example, (1) reduction in overall counterparty credit risk when FICC Novates such transactions, becoming a counterparty to each transaction, as the buyer to every seller and

³⁴ 15 U.S.C. 78q-1(b)(3)(F) and (G).

³⁵ 17 CFR 240.17ad-22(e)(18)(ii), (iii), (e)(18)(iv)(A) and (B), and (e)(23)(ii).

³⁶ 15 U.S.C. 78q-1(b)(3)(F).

the seller to every buyer; (2) enhancing the efficiency of, and market confidence in, centralized default management at FICC if a Netting Member defaults; and (3) increasing multilateral netting of these transactions, thereby reducing operational and other risks associated with such transactions.³⁷ By implementing the trade submission requirement and adopting provisions to monitor and enforce Members' compliance with that requirement, as required by the Treasury Clearing Rules, the proposal would extend the benefits of central clearing to all Eligible Secondary Market Transactions and, thereby, promote the prompt and accurate clearance and settlement of securities transactions, as recognized by the Adopting Release. In this way, the proposal is consistent with the requirements of Section 17A(b)(3)(F) of the Act.³⁸

As described above, FICC proposes changes that would enhance GSD's initial and ongoing membership standards provided under Rules 2A and 3, respectively. In particular, for Rule 2A, FICC proposes to, in summary, (i) explicitly require adequate liquidity through adequate resources; (ii) when an applicant or Member relies on a Guarantor, permit FICC to engage external counsel, at the applicant or Member's expense, to review the guaranty provided, and require the Guarantor to provide FICC with information FICC deems necessary or appropriate in assessing the guaranty; (iii) clarify that FICC considers "business history" to encompass more broadly the "operating and management history and outlook" of the applicant, and require that an applicant have at least one year of such history and outlook, or, absent one year, permit FICC instead of its Board, to determine whether the applicant has personnel with

³⁷ See supra note 4, at 14-18.

³⁸ 15 U.S.C. 78q-1(b)(3)(F).

sufficient operational and financial background and experience; (iv) require applicants to provide FICC with a business plan, which FICC may require to be assessed by a third-party at the participant's expense, that, in FICC's judgement, demonstrates the applicant's ability to meet its requirements to FICC; (v) explicitly state that FICC can deny an application if the applicant does not have adequate personnel in key senior management roles; (vi) clarify what information FICC may require an applicant, or the applicant's Affiliates or Guarantor, to provide FICC; (vii) clarify that in addition to limitations and restrictions, conditions may also be placed on an applicant, and provide further examples of such; (viii) clearly authorize FICC to deny an applicant's membership under certain additional circumstances, and if membership is denied under any circumstance, not permit reapplication until the applicant has adequately addressed the reason for the denial, to FICC's satisfaction.

Also as described above, for Rule 3, FICC proposes to, in summary, (i) require Affiliates of a Member to provide FICC, at FICC's discretion, certain financial statements; (ii) explicitly state that Members are required to provide accurate, complete and timely responses to FICC's annual and periodic due diligence information requests, which are used for ongoing monitoring of a Member, and that failure to do so could subject the Member to fines, adequate assurances, or a Credit Compliance Charge; (iii) clarify the time and manner in which a Member must notify FICC if the Member breaches its GSD membership standards, or whether it or its Controlling Management are the subject of an investigation or proceeding that may cause the Member to breach its membership standards; and (iv) include an adequate assurances condition on Funds-Only

Settling Bank Members that could limit the number of Netting Members for which the bank provides settlement services.

Finally, as described above, FICC also proposes to update the Fine Schedule by replacing the current “Financial Reports” category and associated fines with a new “Reports, Information and Due Diligence Requests” category, which would include more meaningful fine amounts, as well as notices regarding when fines would be charged and what continuing fines would be levied if the Member does not provide the outstanding information.

FICC believes these proposed enhancements to GSD’s membership standards would clarify, streamline, and improve FICC’s ability to assess and manage applicants and Members, as applicable. FICC also believes the level of detail and clarity offered by the proposed changes provides greater transparency and notice to all applicants and Members that are or would be subject to Rules 2A and 3. By enhancing the authority and tools available to FICC to assess and manage applicants and Members, FICC would better position itself to identify and mitigate the credit risk presented to it and, thus, promote the safety and soundness of FICC, its Members, and the industry it serves, all of which helps assure the safeguarding of securities and funds in the custody or control of FICC, consistent with Section 17A(b)(3)(F) of the Act.³⁹

Section 17A(b)(3)(G) of the Act requires that the rules of FICC provide that its participants shall be appropriately disciplined for violation of any provision of the rules of the clearing agency by expulsion, suspension, limitation of activities, functions, and

³⁹ 15 U.S.C. 78q-1(b)(3)(F).

operations, fine, censure, or any other fitting sanction.⁴⁰ The proposed rule changes would adopt measures in Rule 5 and in the Fine Schedule to address a failure to comply with the trade submission requirement. Under these provisions, FICC would impose a continuing fine and notification to the applicable Netting Members' Designated Examining Authority or Appropriate Regulatory Agency and to the Commission. The disciplinary action would be clearly described in Rule 5 and the proposed fine amounts would be set forth in the Fine Schedule. FICC is also proposing to adopt a cure period of 10 Business Days before it takes disciplinary measures if a Netting Member self-reports a failure to comply with the requirement. FICC believes these measures, including the cure period that would be available to Members who self-report a failure to comply with the trades submission requirements, are appropriate deterrents to non-compliance and are consistent with the requirements of Section 17A(b)(3)(G).⁴¹

Additionally, the proposed rule changes would define a broader category for fines applicable when a Netting Member fails to timely submit required reports, information and responses to due diligence requests, and would increase the applicable fines. The proposed fine amounts were determined in consideration of, and in alignment with, the other existing fines applicable. The proposed rule changes are designed to apply meaningful and appropriate disciplinary action that would signal to Netting Members the criticality of these risk management requirements. As such, the proposed rule changes are also consistent with the requirements of Section 17A(b)(3)(G).⁴²

⁴⁰ 15 U.S.C. 78q-1(b)(3)(G).

⁴¹ Id.

⁴² Id.

Rule 17ad-22(e)(18)(ii) and (iii) under the Act requires that FICC establish, implement, maintain and enforce written policies and procedures reasonably designed to establish objective, risk-based, and publicly disclosed criteria for participation, which... (ii) require participants to have sufficient financial resources and robust operational capacity to meet obligations arising from participation in the clearing agency, and (iii) monitor compliance with such participation requirements on an ongoing basis.⁴³

As described above, FICC proposes several changes to GSD's initial and ongoing membership requirements under Rules 2A and 3. FICC believes each of those proposed changes is objective, risk-based, and, of course, would be publicly disclosed as part of the Rules. FICC also believes the proposed changes support fair and open access to GSD services, as the proposed changes are agnostic to any individual or group of applicants or Members but, instead, are simply designed to clarify and strengthen GSD's current membership standards. Additionally, with respect to the specific proposed changes to (i) enhance FICC's ability to consider, assess, and require adequate liquidity of an applicant or Member; (ii) require applicants to have personnel with adequate experience and background; and (iii) explicitly require responses to due diligence requests, which are a key tool to assessing a Member's credit risk, FICC believes that those changes would help ensure that applicants and Members have sufficient financial resources and robust operational capacity to meet their obligations to FICC. For those reasons, FICC believes the proposed changes are consistent with Rule 17ad-22(e)(18)(ii) and (iii) under the Act.⁴⁴

⁴³ 17 CFR 240.17ad-22(e)(18)(ii) and (iii).

⁴⁴ Id.

Rule 17ad-22(e)(18)(iv)(A) under the Act requires, among other things, that FICC, as a covered clearing agency that provides central counterparty services for transactions in U.S. Treasury securities, require that any direct participant of such covered clearing agency submit for clearance and settlement all of the eligible secondary market transactions to which such direct participant is a counterparty.⁴⁵ The proposed rule changes would adopt a requirement that all Netting Members submit to FICC for clearing and settlement all Eligible Secondary Market Transactions to which they are a party, and would adopt the definition of Eligible Secondary Market Transactions and other related terms from the Treasury Clearing Rules in defining the scope of this requirement. The proposed changes to adopt this requirement, and related defined terms, into Rules 1 and 5 would directly comply, and, therefore, be consistent, with the requirements of Rule 17ad-22(e)(18)(iv)(A).⁴⁶

Rule 17ad-22(e)(18)(iv)(B) under the Act requires, among other things, that FICC, as a covered clearing agency that provides central counterparty services for transactions in U.S. Treasury securities, identify and monitor its direct participants' submission of transactions for clearing as required by Rule 17ad-22(e)(18)(iv)(A), including how FICC would address a failure to submit transactions in accordance with Rule 17ad-22(e)(18)(iv)(A).⁴⁷ FICC is proposing to adopt provisions that would specify its authority to request information and inspect its Netting Members' books and records in connection with monitoring their compliance with the trade submission requirement.

⁴⁵ 17 CFR 240.17ad-22(e)(18)(iv)(A).

⁴⁶ Id.

⁴⁷ 17 CFR 240.17ad-22(e)(18)(iv)(B).

FICC is also proposing to adopt ongoing membership requirements that would require each Netting Member to (1) report to FICC if the Netting Member is not in compliance with the trade submission requirement; (2) deliver an annual attestation regarding its ongoing compliance with the trade submission requirement; (3) conduct an independent review of its ongoing compliance with the trade submission requirements on a triennial basis; and (4) submit a report of that review to its senior most governing body and FICC. As discussed above, FICC believes it is appropriate to identify and monitor Netting Members' submission of transactions for clearing by adopting both provisions that Netting Members take specific affirmative actions to review their compliance and affirm such compliance to FICC, and provisions that specify FICC's own authority to inspect and verify such compliance. Collectively, these provisions provide a comprehensive framework for identifying and monitoring compliance with the trade submission requirements and are consistent with the requirements of Rule 17ad-22(e)(18)(iv)(B).⁴⁸

FICC is also proposing to adopt measures in Rule 5 to specify how FICC would address a failure to comply with the trade submission requirement. Under these provisions, FICC would impose a continuing fine and notification to the applicable Netting Members' Designated Examining Authority or Appropriate Regulatory Agency and to the Commission. FICC is also proposing to adopt a cure period of 10 Business Days before it takes disciplinary measures if a Netting Member self-reports a failure to comply with the requirement. FICC believes these measures, including the cure period,

⁴⁸

Id.

are appropriate deterrents to non-compliance and are consistent with the requirements of Rule 17ad-22(e)(18)(iv)(B).⁴⁹

Rule 17ad-22(e)(23)(ii) under the Act requires that FICC establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for providing sufficient information to enable participants to identify and evaluate the risks, fees, and other material costs they incur by participating in FICC.⁵⁰ As described above, FICC is proposing a number of clarifications and revisions to the Rules that do not create new rights or obligations, but are designed instead to improve the clarity and transparency of the Rules. For example, by reorganizing the sections of Rule 3, which addresses the ongoing membership requirements, these proposed changes create clearer disclosures and improve Netting Members' ability to identify and evaluate the material costs they incur by participating in membership. Similarly, by moving all of the required attestations, certifications and acknowledgments that are required of Members on regular and ongoing basis into one section within Rule 3, these proposed changes make the Rules easier to read and understand. In this way, the proposed changes that are designed to clarify and conform provisions of the Rules are consistent with the requirements of Rule 17ad-22(e)(23)(ii).⁵¹

(B) Clearing Agency's Statement on Burden on Competition

The proposed rule changes to adopt a trade submission requirement and define the scope of that requirement by adopting definitions from the Treasury Clearing Rules could

⁴⁹ Id.

⁵⁰ 17 CFR 240.17ad-22(e)(23)(ii).

⁵¹ Id.

impose a burden on competition. Specifically, Netting Members that are subject to the trade submission requirement may incur additional costs related to submitting those transactions to FICC for central clearing, such as applicable clearing fees and risk management charges. These costs could burden Netting Members that have lower operating margins or higher costs of capital than other Netting Members or market participants. However, FICC believes that any burden on competition would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.⁵²

First, as described above, the proposed rule changes to adopt a trade submission requirement would be necessary in furtherance of the Act. By subjecting Eligible Secondary Market Transactions to the risk mitigation benefits of central clearing at FICC, including reducing overall counterparty credit risk, enhancing the efficiency of, and market confidence in, centralized default management at FICC if a Netting Member defaults, and increasing multilateral netting of these transactions, the proposed trade submission requirement would promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.⁵³

As described above, the proposed trade submission requirement that would be adopted in Rule 5 and the proposed scope of transactions that are subject to that requirement that would be adopted through the definition of “Eligible Secondary Securities Transactions” as such term is defined in the Exchange Act are necessary in

⁵² 15 U.S.C. 78q-1(b)(3)(I).

⁵³ 15 U.S.C. 78q-1(b)(3)(F).

furtherance of Rule 17ad-22(e)(18)(iv)(A) under the Act.⁵⁴ The proposed measures that address how FICC would identify and monitor Netting Members' compliance with the trade submission requirement and how FICC would address a failure to submit transactions in compliance with the trade submission requirement are also necessary in furtherance of Rule 17ad-22(e)(18)(iv)(B) under the Act.⁵⁵

Second, FICC believes the proposed changes are appropriate in furtherance of the Act. Specifically, the proposed trade submission requirement would apply equally to all Netting Members, without any distinction between Members that are different legal entities or have different locations of incorporation, organizational structure or sizes. Under the proposed rules, which are being adopted to comply with the requirements of Rule 17ad-22(e)(18)(iv)(A), all Netting Members would be subject to the same obligation to submit Eligible Secondary Market Transactions to which they are a counterparty to FICC for clearing and settlement.⁵⁶

Similarly, the ongoing reporting requirement, Annual Trade Submission Attestation, Triennial Independent Trade Submission Review and Triennial Independent Trade Submission Report, proposed to comply with the requirements of Rule 17ad-22(e)(18)(iv)(B), would apply to all Netting Members equally, without distinction.⁵⁷

FICC is proposing to provide Netting Members with some flexibility in how they conduct the Triennial Independent Trade Submission Review by permitting them to either engage

⁵⁴ 17 CFR 240.17ad-22(e)(18)(iv)(A).

⁵⁵ 17 CFR 240.17ad-22(e)(18)(iv)(B).

⁵⁶ 17 CFR 240.17ad-22(e)(18)(iv)(A).

⁵⁷ 17 CFR 240.17ad-22(e)(18)(iv)(B).

an internal independent group or an external independent third party to conduct the review. By providing this flexibility, the proposed rules acknowledge that Netting Members may have different organizational structures and internal capabilities, but would continue to apply the same ongoing monitoring and attestation obligations on all Members. Similarly, the fines and regulatory reporting measures that FICC is proposing to adopt to address non-compliance with the trade submission requirement, would apply equally to all Netting Members. Finally, FICC is also proposing to adopt a cure period to incentivize Netting Members to self-report any non-compliance with the requirement. In these ways, FICC believes the proposed rule changes are appropriate and designed in a way to minimize the impact the proposal could have on competition.

Therefore, while the proposed rule changes may cause some burden on competition, FICC believes that the proposed rule changes are necessary and appropriate in furtherance of the purposes of the Act.

FICC believes that some of the proposed enhancements to GSD's initial and ongoing membership standards under Rules 2A and 3 could impact competition and that impact could be a burden: (i) authorizing FICC, at its discretion, the option to engage external legal counsel to review the validity and enforceability of a Guarantor's guaranty, with the costs and expenses of such review being borne by the GSD applicant or Member; (ii) requiring an assessment of an applicant's business plan, by an independent third-party consultant, at the expense of the applicant, to assess the reasonableness and viability of the applicant's business plan, including its assumptions and projections; (iii) extending the required operating history of a GSD applicant from six months to one year; (iv) subjecting Members to increased fines, adequate assurances, or a risk

management charge for failing to provide FICC requested information; and
(v) authorizing FICC the option to apply an adequate assurances condition on Funds-Only Settling Bank Members that could limit the number of Netting Members for which the bank provides settlement services.

FICC believes that requiring GSD applicants and Members to bear the cost of external legal counsel that FICC would have the option to engage to review the validity and enforceability of a Guarantor's guaranty could impose a burden on competition on such applicants and Members because they could now be required to expend financial resources on something that they currently may not be required to do. Similarly, requiring an applicant to bear the cost of an independent third-party consultant to assess the reasonableness and viability of the applicant's business plan could impose a burden on competition for the same reason. However, in both circumstances, FICC does not believe the burden would be significant because FICC does not anticipate that these new authorities would be exercised often, nor does FICC believe the costs would be ongoing or extensive in consideration of the amount of funds it takes to engage in the securities industry as a FICC participant. Moreover, FICC believes that these costs are likely avoidable where the guaranty or business plan is sound, clear, complete, and leaves little open to question.

FICC believes that extending the required operating history of a GSD applicant from six months to one year could cause a burden on competition because the applicant's competitive position may rest on its FICC membership. The significance of this potential burden would likely depend on the facts and circumstances of each individual applicant. However, FICC notes that it offers access to GSD services through its Sponsored

Members service,⁵⁸ that one year of operating history is still not a long period, and that FICC maintains the option to alternatively consider, at FICC's discretion, whether the applicant has personnel with sufficient operational and financial background and experience if the one-year operating history is not yet met.

FICC believes that subjecting Members to increased fines, adequate assurances, or a risk management charge for failing to provide FICC requested information may cause a burden on competition because funds paid to or held by FICC means fewer financial resources available to the Member for, possibly, competitive engagement. However, FICC does not believe the burden would be significant because whether a Member is subject to such charges would be within the control of the Member and avoidable if the Member simply provides the information requested by FICC in a timely and complete manner.

Finally, FICC believes that providing it the option to subject a Funds-Only Settling Bank Member to an adequate assurances condition that limits the number of Netting Members for which the bank provides settlement services could cause a burden on competition for that Member because it could limit the bank's business. However, FICC does not believe such burden would be significant because FICC does not anticipate exercising this authority often, and the circumstance in which such a bank would be subject to such a condition is likely within the control of the bank (i.e., FICC would not be exercising this authority but for addressing a risk presented by the bank that the bank could likely control).

⁵⁸ See Rule 3A, supra note 3.

Regardless of their significance, FICC believes that the potential competitive burdens of these proposed changes are necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) thereof.⁵⁹ More specifically, FICC believes these proposed changes are necessary and appropriate in furtherance of Section 17A(b)(3)(F) of the Act⁶⁰ and Rule 17ad-22(e)(18)(ii) and (iii) promulgated thereunder.⁶¹

First, FICC believes the proposed changes that could cause a burden on competition discussed above (i.e., independent review of a guaranty at the applicant or Member's cost; independent assessment of an applicant's business plan at the applicant's cost; extending the operating history requirement to one year; increasing and adding charges for failure to provide complete and timely information; and providing the option for an adequate assurance condition that could limit the number of Netting Member clients at a Funds-Only Settling Bank) are necessary in furtherance of Section 17A(b)(3)(F) of the Act⁶² because they would improve FICC's ability to assess and manage applicants and Members, as applicable, to help ensure they can or will be able to meet their obligations to FICC and, to the extent Members are not providing FICC with needed information or certain settling bank Members are presenting a unique risk, the proposed changes would provide enhanced charges and assurances to help incentivize Members and protect FICC. By furthering FICC's ability to assess, manage, incentivize,

⁵⁹ 15 U.S.C. 78q-1(b)(3)(I).

⁶⁰ 15 U.S.C. 78q-1(b)(3)(F).

⁶¹ 17 CFR 240.17ad-22(e)(18)(ii) and (iii).

⁶² 15 U.S.C. 78q-1(b)(3)(F).

and seek assurances of its applicants and Members, as applicable, the proposed changes are necessary to improve FICC's ability to assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible, as required under Section 17A(b)(3)(F) of the Act, as cited above.

FICC also believes those proposed changes are necessary in furtherance of Rule 17ad-22(e)(18)(ii) and (iii) under the Act.⁶³ As required by Rule 17ad-22(e)(18)(ii) and (iii), those proposed changes are reasonably designed to help ensure that (A) applicants and Members, as applicable, have sufficient financial resources and robust operational capacity to meet the obligations arising from participation in FICC, and (B) FICC has more meaningful tools to help ensure compliance with its Rules, all of which is in furtherance of and consistent with Rule 17ad-22(e)(18)(ii) and (iii) under the Act, as cited above.

Second, FICC believes those proposed changes are appropriate in furtherance of both Section 17A(b)(3)(F) of the Act⁶⁴ and Rule 17ad-22(e)(18)(ii) and (iii)⁶⁵ promulgated thereunder because the changes are reasonably tailored, objective, risk-based, and agnostic in their application to applicants and Members, as applicable. In fact, FICC believes the potential burdens discussed above are, essentially, within the control of the applicant or Member, as applicable. For example, if the subject guaranty or business plan is sound, clear, complete, and leaves little open to question, then it is highly unlikely that the applicant or Member would incur the additional cost of an independent

⁶³ 17 CFR 240.17ad-22(e)(18)(ii) and (iii).

⁶⁴ 15 U.S.C. 78q-1(b)(3)(F).

⁶⁵ 17 CFR 240.17ad-22(e)(18)(ii) and (iii).

assessment. Similarly, if the applicant has personnel with sufficient operational and financial background and experience, then it may not need a year's worth of operating history. Finally, if the subject Member simply provides the information requested by FICC in a timely and complete manner, or the Funds-Only Settling Bank Member mitigates the risk at issue from its side, then the corresponding charges and assurances proposed would not likely be imposed. For these reasons, FICC believes those proposed changes are appropriate in furtherance of and consistent with Section 17A(b)(3)(F) of the Act and Rule 17ad-22(e)(18)(ii) and (iii) under the Act, as each are cited above.

FICC does not believe the proposal to make technical corrections and other clarification changes to the Rules would impact competition. These changes are being proposed to ensure the clarity and accuracy of the Rules. They would not change FICC's current practices or affect Members' rights and obligations. As such, FICC believes those changes would not have any impact on competition.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

FICC has not received or solicited any written comments relating to this proposal. If any written comments are received, they will be publicly filed as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission's instructions on how to submit comments, available at www.sec.gov/regulatory-actions/how-to-submit-comments. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the SEC's Division of Trading and Markets at tradingandmarkets@sec.gov or 202-551-5777.

FICC reserves the right not to respond to any comments received.

III. Date of Effectiveness of the Proposed Rule Change, and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FICC-2024-009 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-FICC-2024-009. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of FICC and on DTCC's website (dtcc.com/legal/sec-rule-filings). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-FICC-2024-009 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁶⁶

Secretary

⁶⁶ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Bold and underlined text indicates proposed new language.

~~**Bold and strikethrough text**~~ indicates proposed deleted language.

Yellow highlighted, bold and underlined text indicates language proposed to be added by SR-FICC-2024-005.

~~**Yellow highlighted, bold and strikethrough text**~~ indicates language proposed to be deleted by SR-FICC-2024-005.

~~**Yellow highlighted, bold and strikethrough red text**~~ indicates proposed deletions to language proposed to be added by SR-FICC-2024-005.

Green highlighted, bold and underlined text indicates language proposed to be added by SR-FICC-2024-007 and SR-FICC-2024-802.

~~**Green highlighted, bold and strikethrough text**~~ indicates language proposed to be deleted by SR-FICC-2024-007 and SR-FICC-2024-802.

~~**Green highlighted, bold and strikethrough red text**~~ indicates proposed deletions to language proposed to be added by SR-FICC-2024-007 and SR-FICC-2024-802.

Grey highlighted, bold and underlined text indicates language proposed to be added by SR-FICC-2024-008.

~~**Grey highlighted, bold and strikethrough text**~~ indicates language proposed to be deleted by SR-FICC-2024-008.

~~**Grey highlighted, bold and strikethrough red text**~~ indicates proposed deletions to language proposed to be added by SR-FICC-2024-008.

FIXED INCOME CLEARING CORPORATION
GOVERNMENT SECURITIES DIVISION RULEBOOK

* * *

RULE 1 – DEFINITIONS

* * *

[Changes to this Rule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Rule.]

* * *

Affiliate

The term “Affiliate” ~~shall have the meaning given that word in SEC Rule 405, promulgated under the authority of the Securities Act of 1933~~**means a Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, another Person.**

Affiliated Counterparty

The term “Affiliated Counterparty” means, for purposes of the definition of an Eligible Secondary Market Transaction, any counterparty that meets the following criteria, or as otherwise may be provided for by the SEC pursuant to the Exchange Act:

(i) The counterparty is either a bank (as defined in 15 U.S.C. 78c(a)(6)), broker (as defined in 15 U.S.C. 78c(a)(4)), dealer (as defined in 15 U.S.C. 78c(a)(5)), or futures commission merchant (as defined in 7 U.S.C. 1a(28)), or any entity regulated as a bank, broker, dealer, or futures commission merchant in its home jurisdiction;

(ii) The counterparty holds, directly or indirectly, a majority ownership interest in a Netting Member, or the Netting Member, directly or indirectly, holds a majority ownership interest in the counterparty, or a third party, directly or indirectly, holds a majority ownership interest in both the Netting Member and the counterparty; and

(iii) The counterparty, Netting Member, or third party referenced in paragraph (ii) of this definition as holding the majority ownership interest would be required to report its financial statements on a consolidated basis under U.S. generally accepted accounting principles or international financial reporting standards, and such consolidated financial statements include the

financial results of the majority-owned party or of both majority-owned parties.

* * *

Annual Trade Submission Attestation

The term “Annual Trade Submission Attestation” shall have the meaning given that term in Rule 3, Section 2(iii)(c)(1).

* * *

Bilateral Transaction

The term “Bilateral Transaction” means any Buy/Sell T transaction, ~~including a or~~ Repo Transaction, the data on which has been submitted to the Corporation by two Members, and is not a Brokered Transaction.

* * *

Brokered Transaction

The term “Brokered Transaction” means any Buy/Sell T transaction, ~~including a or~~ Repo Transaction, calling for the delivery of an Eligible Netting Security, or the posting of cash or an Eligible Netting Security as collateral, that an Inter-Dealer Broker Netting Member enters into with another Netting Member or a Sponsored Member or Executing Firm Customer through the Inter-Dealer Broker Netting Member’s own trading platform. the data on which has been submitted to the Corporation by Members, to which transaction (i) an Inter-Dealer Broker, or (ii) a Non-IDB Repo Broker with respect to activity in its Segregated Repo Account, is a party. The mere fact that an Inter-Dealer Broker, or a Non-IDB Repo Broker with respect to activity in its Segregated Repo Account, has submitted data to the Corporation on a transaction is not, solely of itself, determinative of whether such Broker is a party to the transaction.

* * *

Buy/Sell Transaction

The term “Buy/Sell Transaction” means a Transaction that is either the purchase or sale of an Eligible Netting Security in exchange for cash for which the trade data is submitted to the Corporation for Novation.

* * *

CCLF Attestation

The term “CCLF Attestation” shall have the meaning given to that term in Rule 3, Section 2(iii)(d).

* * *

Central Bank

The term “Central Bank” means a reserve bank or monetary authority of a central government (including the FRB) and the Bank for International Settlements.

* * *

Controlling Management

The term “Controlling Management” shall mean the Chief Executive Officer, the Chief Financial Officer, ~~and~~ the Chief Operations Officer, and the Chief Risk Officer, or their equivalents, of an applicant or Member or such other individuals or entities with direct or indirect control over the applicant or Member; provided that with respect to a Registered Investment Company Netting Member or an applicant to become a Registered Investment Company Netting Member, the term “Controlling Management” shall include the investment manager.

* * *

Covered Affiliate

~~The term “Covered Affiliate” means an Affiliate of a Netting Member that: (1) is not itself a Netting Member; (2) is not a Foreign Person; and (3) is a Broker, Dealer, bank, trust company, and/or Futures Commission Merchant.~~

* * *

Credit Compliance Charge

The term “Credit Compliance Charge” shall have the meaning given that term in the Margin Component Schedule.

* * *

Designated Examining Authority

The term “Designated Examining Authority” shall mean any of the following, as applicable to an applicant or Member, (1) in the case of a Broker or Dealer, ~~as applicable~~, that belongs to only one Self-Regulatory Organization, such Self-Regulatory Organization; ~~and~~ (2) in the case of a Broker or Dealer, ~~as applicable~~, that belongs to more than one Self-Regulatory Organization, the Self-Regulatory Organization designated by the SEC pursuant to Section 17(d) of the Exchange Act as the entity with responsibility

for examining such Broker or Dealer; **(3) in the case of an applicant that is a futures commission merchant or a Futures Commission Merchant Netting Member, the CFTC and the applicable self-regulatory organization designated under the Commodity Exchange Act; (4) in the case of an applicant that is an insurance company or an Insurance Company Netting Member, the insurance regulator in the applicant or Member's state of domicile; (5) any other examining authority or regulator with supervisory authority over the applicant or Member; and (6) any Self-Regulatory Organization of which the applicant or Member is a member or with which the applicant or Member has otherwise registered. When an applicant or Member has multiple Designated Examining Authorities, the Corporation may determine, in its sole discretion, which Designated Examining Authority is applicable under the Rules.**

* * *

Eligible Secondary Market Transaction

The term "Eligible Secondary Market Transaction" shall have the meaning given to that term in Rule 5.

* * *

Eligible Treasury Security

The term "Eligible Treasury Security" means **a U.S. Treasury Security that is an Eligible Security**~~an unmatured, marketable debt security in book-entry form that is a direct obligation of the United States Government.~~

* * *

Financial Statements

The term "Financial Statements" means a balance sheet, statement of income, statement of changes in financial position and statement of changes in owner's equity, in each case with accompanying notes.

* * *

Guarantor

The term "Guarantor" means a Person that has executed and delivered to the Corporation a guaranty of the obligations of a Member or applicant for membership under these Rules that is satisfactory in form and substance to the Corporation, in its sole discretion.

* * *

International Financial Institution

The term “International Financial Institution” shall have the meaning given that term in Rule 17ad-22 under the Exchange Act.

* * *

Local Government

The term “Local Government” means a state or any political subdivision thereof, or an agency or instrumentality of a state or any political subdivision thereof, but shall not include any pension or retirement plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees.

* * *

Novation or Novate

The term “Novation” means the termination of deliver, receive, and related payment obligations between Netting Members, or between a CCIT Member (or Joint Account) and a Netting Member, and the replacement of such obligations with identical obligations to and from the Corporation, pursuant to Section 8 of Rule ~~56~~. The term “Novate” shall have a corollary meaning.

* * *

~~Pre-Netting of Trades~~

~~The term “Pre-Netting of Trades” means any trade submission data practice other than the submission of data to the Corporation on a trade-by-trade basis as executed in the market and that identifies the actual parties to each trade.~~

* * *

~~Required Attestation~~

~~The term “Required Attestation” has the meaning assigned in Section 2a(d) of Rule 22A.~~

* * *

Sovereign Entity

The term “Sovereign Entity” means a central government (including the U.S. government), or an agency, department, or ministry of a central government.

* * *

Treasury Repo Transaction

The term “Treasury Repo Transaction” means a Repo Transaction collateralized by Eligible Treasury Securities.

* * *

Triennial Independent Trade Submission Report

The term “Triennial Independent Trade Submission Report” shall have the meaning given such term in Section 2(iii) of Rule 3.

Triennial Independent Trade Submission Review

The term “Triennial Independent Trade Submission Review” shall have the meaning given such term in Section 2(iii) of Rule 3.

* * *

U.S. Treasury Security

The term “U.S. Treasury Security” means any security issued by the Treasury Department.

* * *

Yield Comparison Trade

The term “Yield Comparison Trade” means a trade involving Eligible Securities the data on which have been submitted by Members to the Corporation on a yield basis but have not yet been compared on a final money basis pursuant to Rule **56** or Rule 9.

* * *

RULE 2A – INITIAL MEMBERSHIP REQUIREMENTS

[Changes to this Rule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Rule.]

* * *

Section 3 – Eligibility for Membership: Netting Members

(a) Eligibility for each category of Netting Member shall be as follows:

(i) Bank Netting Member – A Person shall be eligible to apply to become a Bank Netting Member if it is a bank or trust company chartered as such under the laws of the United States, or a State thereof, or is a bank or trust company established or chartered under the laws of a non-U.S. jurisdiction ~~and either participates in the Corporation through its U.S. branch or agency~~ **that meets the qualifications applicable to a Foreign Person in this Section 3. A bank or trust company that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be a Bank Netting Member.**

* * *

Section 4 – Membership Qualifications and Standards for Netting Members

* * *

(b) Financial Responsibility – The applicant shall:

(i) have sufficient financial ability to **meet all of its financial obligations to the Corporation in a timely manner, including, but not limited to, make** anticipated required deposits to the Clearing Fund **and Segregated Customer Margin** as provided for in Rule 4 and **calculated pursuant to the Margin Component Schedule,** ~~and anticipated Funds-Only Settlement Amounts, and to meet all of its other obligations to the Corporation in a timely manner; and~~

(ii) satisfy the following minimum financial requirements:

* * *

(E) Foreign **Person Netting Member** – If the applicant is a Foreign Person that is applying to become a **Foreign** Netting Member, it must, at a minimum, satisfy its home country regulator’s minimum financial requirements, in addition to the following, **as applicable:**

(1) In the case of a Foreign Person that is a broker or dealer, it must have total equity capital of at least \$25 million; **and**

(2) In the case of a Foreign Person that is a bank or trust company established or chartered under the laws of a non-U.S. jurisdiction ~~(and not applying to become a Bank Netting Member through a U.S. branch or agency)~~, it must (i) have CET1 Capital of at least \$500 million, (ii) comply with the minimum capital requirements (including, but not limited to, any capital conservation buffer, countercyclical buffer, and any D-SIB or G-SIB buffer, if applicable) and capital ratios required by its home country regulator, or, if greater, with such minimum capital requirements or capital ratios standards promulgated by the Basel Committee on Banking Supervision and (iii) provide an attestation for itself and its parent bank holding company detailing the minimum capital requirements (including, but not limited to, any capital conservation buffer, countercyclical buffer, and any D-SIB or G-SIB buffer, if applicable) and capital ratios required by their home country regulator; **and**

* * *

(iii) maintain adequate liquidity resources at all times to meet their actual or projected funding obligations to the Corporation as determined by the Corporation from time to time pursuant to the Rules. In assessing the adequacy of an applicant's liquidity resources, the Corporation may consider, for example, the source of the liquidity resources. The Corporation may deny membership to an applicant that is unable to satisfactorily demonstrate, in the Corporation's sole judgement, that the applicant maintains adequate liquidity resources.

The foregoing financial responsibility standards are only the minimum requirements. The ~~Board~~**Corporation**, based upon, **for example and not limited to,** the level of the anticipated positions and obligations of the applicant, the anticipated risk associated with the volume and types of transactions the applicant proposes to process through the Corporation, and the overall financial condition of the applicant, may, in its sole discretion, impose heightened or different financial responsibility standards on any applicant.

~~If an applicant does not itself satisfy the required minimum financial responsibility standards, †~~**The Board Corporation** may include for such purposes the **capital, liquidity resources or other** financial resources of ~~the parent company a Guarantor~~ of the applicant ~~(including, in the case of an applicant that is a U.S. branch or agency, its parent bank), if the parent company has delivered to the Corporation a guaranty, satisfactory in form and substance to the Board, of the obligations of the applicant to the Corporation. The Corporation may engage external legal counsel to review the validity and enforceability of such a guaranty, with the costs and expenses of such review being borne by the applicant or Member. A Guarantor must provide the Corporation its annual audited Financial Statements and such other information as the Corporation deems necessary or appropriate in order to assess the Guarantor's ability to guarantee the obligations of the applicant or Member to the Corporation for the duration of the guaranty.~~

(c) **Additional Requirements for FFI Members**

The Corporation shall require each applicant that is an FFI Member to certify and periodically recertify to the Corporation that it is FATCA Compliant under such procedures as are set forth under FATCA, unless such requirements have been explicitly waived in writing by the Corporation, provided, however, that no such waiver will be issued if it shall cause the Corporation to be obligated to withhold under FATCA on gross proceeds from the sale or other disposition of any property. In addition, as part of its membership application, each applicant that shall be an FFI Member agrees to indemnify each Indemnified Person for any loss, liability or expense sustained by the Indemnified Person as a result of the applicant failing to be FATCA Compliant.

(d) Business Operating and Management History and Outlook – The applicant must have an established, profitable **business operating** history of a minimum of **six months one year** or personnel with sufficient operational **and financial** background and experience to ensure, in the judgment of the **Board Corporation**, the ability of the firm to conduct its business.

The applicant shall provide the Corporation with a business plan, supported by financial assumptions and projections that includes the applicant's proposed use of the services of the Corporation and demonstrates to the satisfaction of the Corporation that the applicant has a viable plan to meet and sustain the financial and operational responsibility standards and financial obligations under the Rules. As part of the applicant's membership application, the Corporation may require an assessment, by an independent third-party consultant, at the expense of the applicant, of the reasonableness and viability of the applicant's business plan, including its assumptions and projections. Failure to provide such assessment may result in the Corporation denying the application.

The Corporation may deny an applicant's application for membership if the Corporation believes that the applicant does not have individuals with relevant industry experience and appropriate history of compliance with laws and regulations staffed in the following senior management roles, as applicable, prior to activation of the applicant's membership: President and/or Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, General Counsel, OFAC Officer and Cybersecurity Officer.

Section 5 – Application Documents

(a) Applicant Questionnaire – Each applicant to become a Member shall, ~~as required by the Corporation from time to time,~~ complete and deliver to the Corporation an **A**pplicant **Q**uestionnaire in such form as may be prescribed by the Corporation.

(b) Other Reports and Information – ~~An Each~~ applicant seeking membership in the Netting System shall also deliver to the Corporation the financial reports, other reports, opinions and other information as the Corporation **deems necessary or determines** appropriate **in order to evaluate the applicant's financial responsibility, operational, legal and regulatory capabilities, experience and competence.**

Such other reports, opinions, financial and other information may include, without limitation, documented risk management practices, liquidity stress tests, credit agreements,

risk assessments, opinions of counsel and other independent professionals, audited Financial Statements (including, without limitation, those of the applicant's Affiliates and/or Guarantor), consolidated and consolidating Financial Statements, financial projections, and organizational documents and charts (including, but not limited to, certificates of incumbency and the corporate structure of the applicant's Affiliates and/or Guarantor).

(c) Legal Entity Identifier – Each applicant to become a Netting Member shall obtain and provide to the Corporation a Legal Entity Identifier.

(d) Certifications – As part of its membership application, each applicant (as determined by the Corporation with regard to membership type) shall complete and deliver to the Corporation (1) a FATCA Certification, and (2) a Cybersecurity Confirmation.

(e) Network, Connection and Other Operational Testing

Each applicant must also have the successful completion of network and connectivity testing at the current FICC standards (the scope of such testing to be determined by the Corporation in its sole discretion).

Each applicant to become a Member must also fulfill, within the time frames established by the Corporation, any operational testing requirements (the scope of such testing to be determined by the Corporation in its sole discretion) and related reporting requirements (such as reporting the test results to the Corporation in a manner specified by the Corporation) that may be imposed by the Corporation to ensure the operational capability of the applicant.

(f) Additional Requirements Related to Legal Risk – If the Corporation determines that a legal opinion, or update thereto, submitted by an applicant, indicates that the Corporation could be subject to Legal Risk **(as defined in Section 2 of Rule 4)** with respect to such applicant, the Corporation shall have the right to take, and/or require the applicant to take, appropriate action(s) to mitigate such Legal Risk, including, but not limited to, requiring the applicant to post additional Clearing Fund as set forth in **Section 2 of Rule 4the Margin Component Schedule**.

(g) Confidentiality of Application Materials – Any non-public information furnished to the Corporation pursuant to this Rule shall be held in confidence as may be required under the laws, rules and regulations applicable to the Corporation that relate to the confidentiality of records. Each applicant shall maintain DTCC Confidential Information in confidence to the same extent and using the same means it uses to protect its own confidential information, but no less than a reasonable standard of care and shall not use DTCC Confidential Information or disclose DTCC Confidential Information to any third party except as necessary to perform such applicant's obligations under these Rules or as otherwise required by applicable law. Each applicant acknowledges that a breach of its confidentiality obligations under these Rules may result in serious and irreparable harm to the Corporation and/or DTCC for which there is no adequate remedy at law. In the event of such a breach by the applicant, the Corporation and/or DTCC shall be entitled to seek any temporary or permanent injunctive or other equitable relief in addition to any monetary damages hereunder.

Section 6 – Evaluation of Applicant

An application to become any type of Member shall first be reviewed by the Corporation. The Corporation may approve applications for Comparison-Only membership. With regard to Netting membership, the Corporation shall ~~recommend~~ approve or disapprove ~~of~~ the application ~~to the Board~~. Except as otherwise provided in this Rule 2A or in Rule 15, the Corporation's ~~or Board~~ approval of an application for membership shall constitute approval only of the type of membership specifically applied for.

In evaluating a membership application, the Corporation may:

- (i) contact the applicant's Designated Examining Authority, ~~or~~ Appropriate Regulatory Agency, primary regulatory authority (the CFTC and the applicable self-regulatory organization designated under the Commodity Exchange Act in the case of a Futures Commission Merchant, and the insurance regulator in the company's state of domicile in the case of an Insurance Company), or other examining authority or regulator, or any Self-Regulatory Organization or self-regulatory organization of which the applicant is a member and request from such authority or organization any records, reports, or other information that, in their judgment, may be relevant to the application;
- (ii) examine the books, records, and operational procedures of, and inspect the premises of, the applicant as they may be related to the business conducted through the Corporation; and
- (iii) take such other evidence or make such other inquiries as is necessary, including sworn or unsworn testimony, to ascertain relevant facts bearing upon the applicant's qualifications.

The ~~Board or the~~ Corporation, ~~as applicable~~, shall approve an application to become a Member pursuant to this Rule only upon a determination that the applicant meets such standards of financial responsibility and operational capability as are set forth in this Rule. In addition, with regard to any applicant that shall be an FFI Member, such applicant must be FATCA Compliant.

Notwithstanding that an application to become a Member shall have been approved by ~~the Board or~~ the Corporation, if a material change in condition of the applicant occurs which in the judgment of ~~the Board or~~ the Corporation could bring into question the applicant's ability to perform as a Member, and such material change becomes known to the Corporation prior to the applicant's commencing use of the Corporation's services, the Corporation shall have the right to stay commencement by the applicant of use of the Corporation's services until a reconsideration by ~~the Board or~~ the Corporation of the applicant's financial responsibility and operational capability can be completed. As a result of such reconsideration, ~~the Board or~~ the Corporation may determine to withdraw approval of an application to become a Member or condition the approval upon the furnishing of additional information or assurances.

Notwithstanding the provisions of this Rule, ~~the Board or~~ the Corporation may determine, after considering the facts and circumstances pertaining to an applicant, not to apply one or more of the qualifications or standards set forth in these Rules. If ~~the Board or~~ the Corporation

determines that such qualification or standard shall not apply, it shall determine what, if any, limitation, ~~or~~ restriction or condition shall be placed on such applicant. Limitations, ~~and~~ restrictions or conditions shall bear a reasonable relationship to the qualification or standard not applied to such applicant and may include, but are not limited to, an increased minimum Clearing Required Fund Deposit requirement, increased or adjusted ongoing membership financial requirements or an ongoing membership requirement to provide additional information or reports to the Corporation, or a limitation on the applicant's activities to be processed through the Corporation. Such determination shall only be made if ~~the Board or~~ the Corporation concludes that not applying such qualification or standard, and imposing such limitation, ~~or~~ restriction or condition, would not be against the best interests of the Corporation and its Members. In making such a determination, ~~the Board or~~ the Corporation may require the applicant to provide additional information or assurances. If ~~the Board or~~ the Corporation imposes a limitation, ~~or~~ restriction or condition pursuant to this provision, the Corporation shall promptly notify the SEC.

The ~~Board or the~~ Corporation may deny an application to become a Member upon the Corporation's determination that it does not have adequate personnel, space, data processing capacity or other operational capability at that time to perform its services for the applicant without impairing the ability of the Corporation to provide services for its existing Members, to assure the prompt, accurate and orderly processing and settlement of securities transactions or to otherwise carry out its functions; provided, however, that any such applications which are denied pursuant to this paragraph shall be approved as promptly as the capabilities of the Corporation permit.

Upon the ~~Board's or the~~ Corporation's denial of an application to become a Member pursuant to this Rule, the Corporation shall furnish the applicant with a concise written statement setting forth the specific grounds under consideration upon which any such denial may be based and shall notify the applicant of its right to request a hearing ~~before the Board~~, such request to be filed by the applicant with the Corporation pursuant to Rule 37.

The Corporation shall retain the right to deny membership to an applicant if the Corporation becomes aware of any factor or circumstance about the applicant or its Controlling Management that may impact the suitability of that particular applicant as a Member of the Corporation, such as, without limitation, (i) if the applicant would be placed on the Watch List upon admission; (ii) concerns relating to compliance with anti-money laundering or sanctions laws, rules, and regulations, (iii) concerns relating to the amount or degree of leverage maintained or proposed to be maintained by the applicant, and/or (iv) pending, adjudicated or settled regulatory or other legal actions involving the applicant or its management, including the applicant being subject to a Statutory Disqualification.

An applicant that is denied membership in the Corporation shall not reapply to the Corporation for membership until the applicant has demonstrated to the satisfaction of the Corporation that the applicant has adequately addressed the specific grounds upon which the Corporation's denial was based.

Section 7 – Membership Agreement

Each Member agrees:

* * *

(e) if it is a Netting Member, to: (i) submit to the Corporation for comparison, pursuant to Rule **56**, data on all of its eligible trades with other Netting Members, (ii) deliver to the Corporation or receive from the Corporation the securities underlying all trades that have been reported as being netted and all monies related thereto, in accordance with these Rules, and (iii) pay or deliver to the Corporation in a timely manner all amounts due pursuant to Rule 4 with regard to its Required Fund Deposit and any loss or liability allocated to it;

* * *

RULE 3 – ONGOING MEMBERSHIP REQUIREMENTS

[Changes to this Rule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Rule.]

Section 1 – ~~Requirements~~General

The eligibility, qualifications and standards set forth in Rule 2A in respect of an applicant shall continue to be met upon an applicant’s admission as a Member and at all times while a Member.

~~In addition, e~~Each Member shall comply with the **applicable** ongoing requirements set forth ~~in the Rules below~~. **If a Member has more than one type of membership with the Corporation or has qualified as more than one category of Netting Member, such Member shall comply with all ongoing membership requirements applicable to any such memberships or categories of Netting Member, unless the Corporation otherwise provides.**

Members shall submit to the Corporation any other information that the Corporation may reasonably require from time to time.

All information provided to the Corporation pursuant to the Rules shall be in English.

Section 2 – ~~Reports by~~Financial Statements, Regulatory Reports and Other Reporting Requirements ~~Netting Members~~

(i) Financial and Regulatory Reporting Requirements

Each Netting Member shall submit to the Corporation the reports, financial or other information set forth below and such other reports, financial and other information as the Corporation from time to time may reasonably require: ~~Unless specifically set forth below, the time periods prescribed by the Corporation are set forth in the form of notices posted at the Corporation’s Website and/or distributed by the Corporation from time to time. It shall be the Member’s responsibility to retrieve all notices daily from the Website.~~

(a) a copy of the Member’s annual audited Financial Statements for each fiscal year, certified by the Member’s independent certified public accountants and prepared in accordance with generally accepted accounting principles;

(b) if the Member is a ~~broker or dealer registered under Section 15 of the Exchange Act, or a Government Securities Broker or Government Securities Dealer registered under Section 15C of the Exchange Act~~ **Broker or Dealer**, (i) a copy of the Member’s ~~Financial and Operational Combined Uniform Single Report (“FOCUS Report”)~~ **Financial and Operational Combined Uniform Single Report (“FOCUS Report”)** or Report on Finances and Operations of Government Securities Brokers and Dealers (“FOGS Report”), as the case may be, submitted to its Designated Examining Authority, (ii) a report of the Member’s independent auditors on internal controls, and

(iii) any supplemental reports required to be filed with the SEC pursuant to Exchange Act Rule 17a-11 or 17 C.F.R. Section 405.3;

* * *

(g) if the Member does not fall within clauses (b) through (f) above, a copy of the Member's unaudited financial information as specified by the Corporation for each quarter; ~~and~~

(h) for any Member which has satisfied the financial requirements imposed by the Corporation pursuant to these Rules by means of a ~~guaranty of its obligations by its parent company (including, in the case of a Member that is a U.S. branch or agency, its parent bank)~~ **Guarantor**, Financial Statements and/or the reports or information of its ~~parent company~~ **Guarantor** meeting the requirements specified in subparagraphs (a) through (g) of this Section 2, as applicable;-

(i) concurrently with its submission to the relevant regulator or similar authority, copies of any regulatory notifications required to be made when a Member's capital levels or other financial requirements fall below prescribed levels;

(j) concurrently with its submission to the applicable regulator or similar authority, copies of such filings as determined by the Corporation from time to time, which Members are required to file pursuant to the Sarbanes-Oxley Act of 2002, and any amendments thereunder; and

(k) if the Member is Foreign Person, concurrently with its submission to the relevant regulator or similar authority, copies of any regulatory notifications required to be made when an entity does not comply with the financial reporting and responsibility standards set by their home country regulator.

With respect to subsections (a) and (f) above, the Corporation may request, in its sole discretion, annual audited Financial Statements for such fiscal year, certified by an independent certified public accountant and prepared in accordance with generally accepted accounting principles, of the Member's Affiliates. If annual audited Financial Statements are not available for an entity, the Corporation in its sole discretion may accept unaudited Financial Statements, audited consolidated Financial Statements, or other financial information of the entity, as applicable.

On an annual basis, and from time to time when the Corporation deems appropriate, the Corporation will require Members to provide accurate, complete and timely responses to due diligence requests, which could include, for example, the completion of a due diligence questionnaire and the delivery of additional reports or other information.

Failure of a Member to provide accurate, complete and timely information under the Rules, including accurate, complete and timely responses to due diligence requests, in the manner requested, shall result in (A) a fine pursuant to the Fine Schedule; (B) a requirement to provide adequate assurances of the Member's financial responsibility and operational capability as provided for in Section 7 of this Rule 3; and/or (C) if the information is

outstanding for more than 60 calendar days and until such information is received by the Corporation to its satisfaction, a Credit Compliance Charge calculated pursuant to the Margin Component Schedule in the Required Fund Deposit of such Member.

(ii) Timing of Reporting Requirements

Unless specifically set forth in this Rule, the time periods prescribed by the Corporation are set forth in the form of notices posted to the Corporation's website and/or distributed by the Corporation from time to time. Members shall be responsible for retrieving and reviewing all relevant notices from the website.

With respect to a Member that has received from its regulators an extension of time by which one of the above-listed reports or submissions to the regulator is otherwise due, a copy of the extension letter or other regulatory communication granting such extension. Moreover, any Member that has provided to the SEC any notice required pursuant to paragraph (e) of Exchange Act Rule 15c3-1 shall notify the Corporation of the provision of such notice, and shall furnish the Corporation with a copy of such notice, by the Close of Business on the day that it so provides such notice to the SEC.

~~With respect to subsections (a) and (f) above, the Corporation may accept, in its sole discretion, consolidated Financial Statements or financial information prepared at a parent level.~~

~~In addition to the above, Netting Members must submit to the Corporation, concurrently with their submission to the relevant regulator or similar authority, copies of any regulatory notifications required to be made when a Member's capital levels or other financial requirements fall below prescribed levels. In addition, Members must submit to the Corporation, concurrently with their submission to the applicable regulator or similar authority, copies of such filings as determined by the Corporation from time to time, which Members are required to file pursuant to the Sarbanes Oxley Act of 2002, and any amendments thereunder.~~

(iii) Required Attestations

Members may be required to submit opinions, certificates, or other attestations to the Corporation from time to time pursuant to the Rules. Unless specifically set forth in this Rule, required attestations shall be provided to the Corporation by no later than the time set forth in notices posted to the Corporation's website and/or distributed by the Corporation from time to time. Such required attestations include, but are not limited to the following:

(a) Annual Attestation for Non-U.S. Bank Netting Members

A Member that is a bank or trust company established or chartered under the laws of a non-U.S. jurisdiction ~~and a Bank Netting Member that is a U.S. branch or agency~~ must (i) provide, no less than annually and upon request by the Corporation, an attestation for itself, its parent bank and its parent bank holding company (as applicable) detailing the minimum capital requirements (including, but not limited to, any capital conservation buffer, countercyclical buffer, and any D-SIB or G-SIB buffer, if applicable) and capital ratios required by their home country regulator and

(ii) promptly notify the Corporation: (a) within two Business Days of any of their capital requirements (including, but not limited to, any capital conservation buffer, countercyclical buffer, and any D-SIB or G-SIB buffer, if applicable) or capital ratios falling below any minimum required by their home country regulator; and (b) within 15 calendar days of any such minimum capital requirement or capital ratio changing.

~~Moreover, Foreign Netting Members that are Foreign Persons and Bank Netting Members that are U.S. branches or agencies of non-U.S. banks or trust companies must submit to the Corporation, concurrently with their submission to the relevant regulator or similar authority, copies of any regulatory notifications required to be made when an entity does not comply with the financial reporting and responsibility standards set by their home country regulator. Foreign Netting Members that are Foreign Persons and Bank Netting Members that are U.S. branches or agencies of non-U.S. banks or trust companies must also notify the Corporation in writing within 2 Business Days of becoming subject to a disciplinary action by their home country regulator.~~

~~If the Corporation determines that a legal opinion, or update thereto, submitted by a Member, indicates that the Corporation could be subject to Legal Risk (as defined in Section 2 of Rule 4) with respect to such Member, the Corporation shall have the right to take, and/or require the Member to take, appropriate action(s) to mitigate such Legal Risk, including, but not limited to, requiring the Member to post additional Clearing Fund as set forth in the Margin Component Schedule Section 2 of Rule 4.~~

(b) Cybersecurity Confirmation

~~In addition to all of the above, each Netting Member, Sponsoring Member and CCIT Member shall complete and deliver to the Corporation a Cybersecurity Confirmation at least every two years, on a date that is set by the Corporation and following notice that is provided no later than 180 calendar days prior to such due date.~~

~~In addition, each Member shall maintain or upgrade their network technology, or communications technology or protocols on the systems that connect to the Corporation to the version being required and within the time periods as provided by Important Notice posted to the Corporation's website.~~

(c) Required Trade Submission Attestations

(1) Annual Trade Submission Attestation

No less than annually, by a date to be determined and announced on an annual basis by the Corporation, each Netting Member shall attest to its ongoing compliance with the applicable trade submission requirements set forth in Rule 5 in a form prescribed by the Corporation ("Annual Trade Submission Attestation"). The Annual Trade Submission Attestation shall be signed by the Netting Member's Chief Compliance Officer or the most senior authorized officer of the Netting Member who performs a substantially similar function to a chief compliance officer.

The Annual Trade Submission Attestation shall attest that (i) the attesting officer has read and understands the trade submission requirement set forth in Rule 5; (ii) the Netting Member has established, maintains and enforces policies, procedures or other controls that are reasonably designed to ensure ongoing and continued compliance with the trade submission requirement; (iii) such controls are reasonably designed to promptly identify and remediate any occurrences of non-compliance with the trade submission requirement; and (iv) the Netting Member has, at all times during the 12 months prior to the date of the attestation, complied with the trade submission requirement set forth in Rule 5.

Failure to deliver an executed Annual Trade Submission Attestation by the time and in the form prescribed by the Corporation shall result in a fine, pursuant to the Fine Schedule.

(2) Triennial Independent Trade Submission Review and Report

No less than every three years, by a date to be determined and announced by the Corporation, each Netting Member shall conduct a review, following established procedures and standards, that is comprehensive and adequate to sufficiently assess and confirm such Netting Member's ongoing compliance with the trade submission requirements set forth in Rule 5 with respect to the three-year period prior to the date of the review ("Triennial Independent Trade Submission Review").

The Triennial Independent Trade Submission Review shall be completed by one of the following:

- (i) an independent third party, approved by the Corporation, in its sole discretion, that has been engaged by the Netting Member, such as an auditor, consultant or other independent firm that has experience providing independent attestations, certifications, or opinions in the securities markets industry; or
- (ii) an independent internal audit function reporting directly to the board of directors or designated board of directors committee of the Netting Member, or its equivalent most senior governing body.

Each Netting Member shall provide to the Corporation a report of the Triennial Independent Trade Submission Review in a form prescribed by the Corporation that is signed by (i) an individual who oversaw the Triennial Independent Trade Submission Review and is authorized to sign on behalf of the reviewing party or group; and (ii) the Netting Member's Chief Compliance Officer or the most senior authorized officer of the Netting Member who performs a substantially similar function to a chief compliance officer ("Triennial Independent Trade Submission Report").

Each Netting Member shall present the Triennial Independent Trade Submission Report to its board of directors or equivalent most senior governing body prior to delivering such report to the Corporation.

The Triennial Independent Trade Submission Report shall (i) describe the procedures, methodology and/or standards employed in conducting the Triennial Independent Trade Submission Review; (ii) identify the books, records, processes, operations and/or controls of the Netting Member that were examined in conducting the Triennial Independent Trade Submission Review; (iii) state the conclusions of the Triennial Independent Trade Submission Review, including whether the Netting Member has, at all times and continuously during the 3-year period prior to the date of the Triennial Independent Trade Submission Review, complied with the trade submission requirement set forth in Rule 5; and (iv) if the Netting Member failed to comply with the trade submission requirement during the review period, identify the actions the Netting Member shall take to remediate such failure and the time by when such failure has been, or is expected to be, remediated.

Failure to complete a Triennial Independent Trade Submission Review and deliver a Triennial Independent Trade Submission Report to the Corporation by the time and in the form prescribed by the Corporation shall result in a fine, pursuant to the Fine Schedule.

If the Corporation determines, in its sole discretion, that the Triennial Independent Trade Submission Review conducted on behalf of a Netting Member was incomplete, inadequate or otherwise does not meet the requirements of this Rule, the Corporation shall (1) require that the Netting Member complete a revised Triennial Independent Trade Submission Review that addresses the deficiencies of the prior review; and (2) impose a fine on the Netting Member pursuant to the Fine Schedule, as if such Netting Member had failed to provide a Triennial Independent Trade Submission Report, until a Triennial Independent Trade Submission Report of the revised Triennial Independent Trade Submission Review has been delivered to the Corporation.

(d) Capped Contingency Liquidity Facility Attestation

On at least an annual basis, or upon demand by the Corporation, each Netting Member shall attest that its Individual Total Amount, as determined pursuant to Rule 22A, Section 2a(b), has been incorporated into its liquidity plans (such attestation, the “CCLF Attestation”).

The CCLF Attestation shall be signed by two authorized officers of the Netting Member (or otherwise be satisfactory in form and substance to the Corporation) and contain the following certifications: (1) such officers have read and understand the Rules, (2) the Netting Member’s Individual Total Amount has been incorporated into the Netting Member’s liquidity planning, (3) the Netting Member acknowledges and agrees that its Individual Total Amount may be changed pursuant to Section 2a(b)(ii) through (v) of Rule 22A or otherwise upon ten (10) Business Days’ notice, (4) the Netting Member will incorporate any changes to its Individual Total Amount into its liquidity planning, and (5) the Netting Member shall, through periodic discussions with its financing sources and other methods, continually reassess its liquidity plans and related operational plans, including in the event of any changes to such Netting Member’s Individual Total Amount, to ensure such Netting Member’s ability to meet its Individual Total Amount.

(e) Capped Contingency Liquidity Facility Acknowledgement

The Corporation may require Netting Members to provide certain acknowledgements to the Corporation, in such form and at such times as the Corporation may determine from time to time, concerning the Netting Member's understanding of and ability to meet its Capped Contingency Liquidity Facility obligations, as determined pursuant to Rule 22A, Section 2a(b). Such written acknowledgements include, but are not limited to, an acknowledgement from each Netting Member whose Capped Contingency Liquidity Facility obligations increase by an amount exceeding certain thresholds established by the Corporation following any ad hoc resizing of the Capped Contingency Liquidity Facility confirming such Netting Member's ability to meet the increased obligation. The Corporation will inform Netting Members of any such required acknowledgements, including specific thresholds for any required acknowledgement, by Important Notice.

~~A Netting Member must have a current Legal Entity Identifier on file with the Corporation at all times. The Netting Member shall indemnify the Corporation, and its employees, officers, directors, shareholders, agents, and Members (collectively, the "LEI Indemnified Parties"), for any and all losses, liabilities, expenses and Legal Actions suffered or incurred by the LEI Indemnified Parties arising from a Netting Member's failure to have its current Legal Entity Identifier on file with the Corporation. "Legal Action" means and includes any claim, counterclaim, demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation before any federal, state or foreign court or other tribunal, or any investigative or regulatory agency or self-regulatory organization.~~

Notwithstanding anything to the contrary in this Rule, if a Member qualifies for more than one category of Netting System membership, the Corporation, in its sole discretion, may require that such member provide those reports and other financial or other information required to be provided to the Corporation by Members of any of those membership categories for which such Member qualifies.

~~All information provided to the Corporation pursuant to this Section shall be in English (and if translated into English, the translation must be a fair and accurate English translation).~~

~~A Member that fails to submit the above listed information within the timeframes required by guidelines issued by the Corporation from time to time and in the manner requested, shall:~~

~~(i) — be subject to a fine by the Corporation; and~~

~~(ii) — until the required information is submitted to the Corporation, have a Required Fund Deposit equal to the greater of either (x) the sum of the normal calculation of its Required Fund Deposit plus \$1,000,000, or (y) 125 percent of the normal calculation of its Required Fund Deposit.~~

A Netting Member must have a current Legal Entity Identifier on file with the Corporation at all times. The Netting Member shall indemnify the Corporation, and its employees, officers, directors, shareholders, agents, and Members (collectively, the “LEI Indemnified Parties”), for any and all losses, liabilities, expenses and Legal Actions suffered or incurred by the LEI Indemnified Parties arising from a Netting Member’s failure to have its current Legal Entity Identifier on file with the Corporation. “Legal Action” means and includes any claim, counterclaim, demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation before any federal, state or foreign court or other tribunal, or any investigative or regulatory agency or self-regulatory organization.

~~For purposes of Rule 2A and this Rule, the term “Financial Statements” means, a balance sheet, statement of income, statement of changes in financial position and statement of changes in owner’s equity, in each case with accompanying notes.~~

Section 4 – Confidentiality

Any non-public information furnished to the Corporation pursuant to this Rule shall be held in confidence as may be required under the laws, rules and regulations applicable to the Corporation that relate to the confidentiality of records. Each applicant and Member shall maintain DTCC Confidential Information in confidence to the same extent and using the same means it uses to protect its own confidential information, but no less than a reasonable standard of care and shall not use DTCC Confidential Information or disclose DTCC Confidential Information to any third party except as necessary to perform such applicant’s or Member’s obligations under these Rules or as otherwise required by applicable law. Each applicant and Member acknowledges that a breach of its confidentiality obligations under these Rules may result in serious and irreparable harm to the Corporation and/or DTCC for which there is no adequate remedy at law. In the event of such a breach by the applicant or Member, the Corporation and/or DTCC shall be entitled to seek any temporary or permanent injunctive or other equitable relief in addition to any monetary damages hereunder.

Section 5 – Application of Membership Standards

Notwithstanding the provisions of this Rule, the **Board Corporation** may determine, after considering the facts and circumstances pertaining to a Member, not to apply one or more of the qualifications or standards set forth in these Rules. If the **Board Corporation** determines that such qualification or standard shall not apply, the Committee shall determine what, if any, limitation or restriction shall be placed on such Member. Limitations and restrictions shall bear a reasonable relationship to the qualification or standard not applied to such Member and may include, but are not limited to, an increased Clearing Fund requirement or a limitation on the Member’s activities processed through the Corporation. Such determination shall only be made if the **Board Corporation** concludes that not applying such qualification or standard, and imposing such limitation or restriction, would not be against the best interests of the Corporation and its Members. In making such a determination, the **Board Corporation** may require the Member to provide additional information or assurances. If the **Board Corporation** imposes a limitation or restriction pursuant to this provision, the Corporation shall promptly notify the SEC.

Section 6 – Operational Testing **and System Maintenance** Requirements

(a) The Corporation may, from time to time, require Members to fulfill, within the time frames established by the Corporation, certain operational testing requirements (the scope of such testing to be determined by the Corporation in its sole discretion) and related reporting requirements (such as reporting the test results to the Corporation in a manner specified by the Corporation) that may be imposed by the Corporation to ensure the continuing operational capability of the Member. The Corporation will assess a fine or terminate the membership of any Member that does not fulfill any such operational testing and related reporting requirements within the time frames established by the Corporation.

(b) The Corporation has established standards for designating those Members who shall be required to participate in annual business continuity and disaster recovery testing that the Corporation reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets in the event that business continuity and disaster recovery plans are required to be activated. The standards shall take into account factors such as: (1) activity-based thresholds; (2) significant operational issues of the Member during the twelve months prior to the designation; and (3) past performance of the Member with respect to operational testing. The specific standards adopted by the Corporation and any updates or modifications thereto shall be published to Members and applied on a prospective basis.

(c) Upon notification that the Member has been designated to participate in the annual business continuity and disaster recovery testing, as described above, Members shall be required to fulfill, within the timeframes established by the Corporation, certain testing requirements (the scope of such testing to be determined by the Corporation in its sole discretion) and related reporting requirements (such as reporting the test results to the Corporation in a manner specified by the Corporation) that may be imposed by the Corporation.

(d) In addition, each Member shall maintain or upgrade their network technology, or communications technology or protocols on the systems that connect to the Corporation to the version being required and within the time periods as provided by Important Notice posted to the Corporation's website.

Section 7 – General Continuance Standards

(a) Notification of Non-Compliance with Membership Qualifications and Standards

A Member shall notify the Corporation in writing within 2 Business Days from the date on which the Member learns that either of the following have occurred:

(i) promptly inform the Corporation, both orally and in writing, if it no longer is in compliance with any of the relevant qualifications and standards for admission to membership or continuing standards and other requirements of membership set forth in Rule 2 and in this the Rules; and, including whether it is subject to any of the criteria set forth in subsection (d) of Section 2 of Rule 2A. Notification must take place within two Business Days from the date on which the Member first learns of its non-compliance. The Corporation shall assess a fine against any Member who fails to so notify the Corporation.

(ii) ~~In addition, a Member shall notify the Corporation within two Business Days of learning that~~ an investigation or proceeding to which it or a member of its Controlling Management is ~~or is becoming~~ the subject of would cause the Member to ~~fall out of compliance with any of the relevant~~ no longer meet one or more of the relevant qualifications, ~~and~~ standards or other requirements for membership set forth in ~~the Rules 2, 2A and 3.~~ Notwithstanding the previous sentence, ~~†~~The Member shall not be required to notify the Corporation if doing so would cause the Member to violate an applicable law, rule or regulation.

The Corporation shall assess a fine against any Member who fails to provide notification to the Corporation as required by this Section.

If, with respect to any type of Member: (a) it fails to maintain the relevant standards and qualifications for admission to membership, including but not limited to minimum capital standards and operational testing and related reporting requirements imposed by the Corporation from time to time; (b) it violates any Rule of the Corporation or other agreement with the Corporation; (c) it fails to satisfy in a timely manner any obligation to the Corporation; (d) there is a Reportable Event relating to such Member; or (e) the Corporation otherwise deems it necessary or advisable, in order to protect the Corporation, its other Members, or its creditors or investors, to safeguard securities and funds in the custody or control of the Corporation or for which the Corporation is responsible, or to promote the prompt and accurate processing, clearance or settlement of securities transactions, the Corporation will undertake appropriate action to determine the status of the Member and its continued eligibility.

In addition, the Corporation may review the financial responsibility and operational capability of the Member to the extent provided in these Rules and otherwise require from the Member additional reporting of its financial or operational condition at such intervals and in such detail as the Corporation shall determine, including, but not limited to, such information as the Corporation may request regarding the businesses and operations of the Member and its risk management practices with respect to services of the Corporation utilized by the Member for another Person or Persons, and shall make a determination as to whether such Member should be placed on the Watch List by the Corporation consistent with the provisions of Section 12 of this Rule.

(b) Notification of Reportable Events and Continued FATCA Compliance

~~Furthermore, a~~ Netting Member must submit to the Corporation written notice of any Reportable Event at least 90 calendar days prior to the effective date of such Reportable Event unless the Member demonstrates that it could not have reasonably done so, and provided notice, both orally and in writing, to FICC as soon as possible.

Beginning on the FATCA Compliance Date, each FFI Member shall inform the Corporation, both orally and in writing, if it (i) undergoes a change in circumstance that would affect its FATCA Certification or (ii) otherwise has reason to know that it is not, or will not be, FATCA Compliant, in each case, within two days of knowledge thereof.

The Corporation shall assess a fine against any Netting Member who fails to so notify the Corporation.

(c) Adequate Assurances of Ongoing Compliance

~~In addition,~~ if the Corporation has reason to believe that a Member may fail to comply with any of these Rules, it may require the Member to provide it, within such timeframe, in such detail, and pursuant to such manner as the Corporation shall determine, with assurances in writing of a credible nature that the Member shall not, in fact, violate any of these Rules.

Notwithstanding the previous sentence, each Member, or any applicant to become such, shall furnish to the Corporation such adequate assurances of its financial responsibility and operational capability as the Corporation may at any time or from time to time deem necessary or advisable in order to protect the Corporation and its members, to safeguard securities and funds in the custody or control of the Corporation and for which the Corporation is responsible, or to promote the prompt and accurate clearance, settlement and processing of securities transactions. Upon the request of a participant or applicant, or otherwise, the Corporation may choose to confer with the participant or applicant before or after requiring it to furnish adequate assurances pursuant to this Rule.

Adequate assurances of financial responsibility or operational capability of a Member or applicant to become such, as may be required by the Corporation pursuant to these Rules, may include, but shall not be limited to, as appropriate under the context of the Member's use of the Corporation's services:

- (i) restrictions or modifications on the Member's use of any or all of the Corporation's services (whether generally, or with respect to certain transactions);
- (ii) additional reporting by the Member of its financial or operational condition at such intervals and in such detail as the Corporation shall determine;
- (iii) increased Clearing Fund deposits and/or a requirement to post its Required Fund Deposit in proportions of cash, Eligible Netting Securities and Eligible Letters of Credit different from those permitted under Rule 4; ~~or~~
- (iv) prohibitions on the Member from withdrawing Clearing Fund on deposit in excess of its Required Fund Deposit;~~;~~ **or**

(v) with respect to a Funds-Only Settling Bank, limiting the number of Netting Members for which the Funds-Only Settling Bank provides settlement services.

In the event that a Member fails to maintain the relevant requirements of any of these Rules, the Corporation shall, pursuant to these Rules, either cease to act for the Member or terminate its membership in the Comparison System or in both the Comparison System and the Netting System, unless the Member requests that such action not be taken and the Corporation determines that, depending upon the specific circumstances and the record of the Member, it is appropriate instead to establish for such Member a time period (hereinafter, the "Noncompliance Time Period"), which

shall be determined by the Corporation and which shall be no longer than 30 calendar days unless otherwise determined by the Corporation, during which the Member must resume compliance with such requirements. In the event that the Member is unable to satisfy such requirements within the Noncompliance Time Period, the Corporation shall, pursuant to these Rules, either cease to act for the Member or terminate its membership in the Comparison System or in both the Comparison System and the Netting System. If the Corporation takes any action pursuant to this paragraph, it shall promptly file with its records and with the SEC a full report of such actions, and the reasons thereof.

Notwithstanding anything to the contrary in this Section, if the Corporation, in its sole discretion, determines that a Netting Member's financial condition has significantly deteriorated during a Noncompliance Time Period, the Corporation immediately may, pursuant to these Rules, either cease to act for the Member or terminate its membership in the Comparison System or in both the Comparison System and the Netting System.

Section 8 – Specific Continuance Standards

In addition to the requirements set forth in Section 6 above of this Rule, the following requirements shall apply to Members that fall out of compliance with an applicable membership standard:

(a) If a Bank Netting Member falls below the applicable minimum financial requirements as specified in Rule 2A or this Rule 3, it shall, for a period beginning on the day on which it fell below such level and continuing until the later of the 90th calendar day after the date on which (i) it returned to compliance with such standard, or (ii) the Corporation received notice of the applicable violation, have a **Credit Compliance Charge added to its Required Fund Deposit pursuant to the Margin Component Schedule, in the sole discretion of the Corporation**~~equal to the greater of either: (x) the sum of the normal calculation of its Required Fund Deposit plus \$1,000,000, or (y) 125 percent of the normal calculation of its Required Fund Deposit;~~

(b) If a Dealer Netting Member falls below either the minimum Net Worth level applicable to Dealer Netting Members pursuant to this Rule or the applicable minimum regulatory capital level, as applicable, as specified in this Rule, it shall, for a period beginning on the date on which it fell below such level and continuing until the later of the 90th calendar day after the date on which (i) it returned to compliance with such standard, or (ii) the Corporation received notice of the applicable violation, have a **Credit Compliance Charge added to its Required Fund Deposit pursuant to the Margin Component Schedule, in the sole discretion of the Corporation**~~equal to the greater of either: (x) the sum of the normal calculation of its Required Fund Deposit plus \$1,000,000, or (y) 125 percent of the normal calculation of its Required Fund Deposit;~~

(c) If a Futures Commission Merchant Netting Member falls below either the minimum Net Worth level applicable to Futures Commission Merchant Netting Members pursuant to this Rule or the applicable minimum regulatory capital level specified in this Rule, it shall, for a period beginning on the date on which it fell below such level and continuing until the later of the 90th calendar day after the date on which (i) it returned to compliance with such standard, or

(ii) the Corporation received notice of the applicable violation, have a **Credit Compliance Charge added to its Required Fund Deposit pursuant to the Margin Component Schedule, in the sole discretion of the Corporation equal to the greater of either: (x) the sum of the normal calculation of its Required Fund Deposit plus \$1,000,000, or (y) 125 percent of the normal calculation of its Required Fund Deposit;**

(d) If an Inter-Dealer Broker Netting Member falls below either the applicable minimum Net Worth level or the applicable minimum regulatory capital level specified in this Rule, it shall have, for a period beginning on the date on which it fell from compliance with either standard and continuing until the later of the 90th calendar day after the date on which (i) it returned to compliance with such standard, or (ii) the Corporation received notice of the applicable violation, **have a Credit Compliance Charge added to its Required Fund Deposit pursuant to the Margin Component Schedule, in the sole discretion of the Corporation equal to the greater of either: (x) the sum of the normal calculation of its Required Fund Deposit plus \$1,000,000, or (y) 125 percent of the normal calculation of its Required Fund Deposit;**

(e) — An Inter-Dealer Broker Netting Member shall: (A) limit its business to acting exclusively as a Broker; (B) conduct all of its business in Repo Transactions with Netting Members; and (C) conduct at least 90 percent of its business in transactions that are not Repo Transactions, measured based on its overall dollar volume of submitted sides over the prior month, with Netting Members. If an Inter-Dealer Broker Netting Member fails to comply with this scope of business standard, then, for a period beginning on the date on which it fell out of compliance with this standard and continuing until the date on which it returned to compliance with such standard, such Member shall be considered by the Corporation for purposes of these Rules to be a Dealer Netting Member. Notwithstanding anything to the contrary above, if such Inter-Dealer Broker Netting Member continues to act exclusively as a Broker, it shall continue to be subject to the provisions of Section 7 of Rule 4 as if it were an Inter-Dealer Broker Netting Member, until and unless the Corporation determines, in its sole discretion, that such Member should be treated for purposes of that Section as if it were a Dealer Netting Member and so informs such Member. Moreover, notwithstanding anything to the contrary above, if such Inter-Dealer Broker Netting Member does not return to compliance with its applicable scope of business standard within 90 calendar days from the date on which it fell below such standard, such Member shall permanently become a Dealer Netting Member for purposes of these Rules, until and unless it applies to the Corporation to return to its Inter-Dealer Broker Netting Member status and such application is approved by the Board; and

(ef) If a Government Securities Issuer Netting Member, Insurance Company Netting Member, Registered Clearing Agency Netting Member, or Registered Investment Company Netting Member falls out of compliance with any minimum admission or continuance standard that may be set for it by the Corporation pursuant to these Rules, it shall, for a period beginning on the date on which it fell below such standard and continuing until the later of the 90th calendar day after the date on which (i) it returned to compliance with such standard, or (ii) the Corporation received notice of the applicable violation, have a **Credit Compliance Charge added to its Required Fund Deposit pursuant to the Margin Component Schedule, in the sole discretion of the Corporation equal to the greater of either: (x) the sum of the normal calculation of its**

Required Fund Deposit plus \$1,000,000, or (y) 125 percent of the normal calculation of its Required Fund Deposit.

(g) If a **Foreign** Netting Member **that is a Foreign Person** falls out of compliance with the minimum financial requirements that the Corporation has determined are applicable to it pursuant to these Rules, the consequences under this Section of such noncompliance shall be determined by the Corporation in its sole discretion.

For purposes of applying a premium to the Required Fund Deposit of a Member that falls below its minimum financial requirements as set forth in this Section, the Corporation shall begin to assess such a premium on the date on which the Corporation becomes aware of the applicable violation.

If the Corporation takes any action pursuant to this Section, it shall promptly report such action, and the reasons thereof, to the Board, at its next regularly scheduled meeting, or sooner if deemed appropriate by the Corporation.

Section 9 – Compliance with Laws

(i) General

In connection with their use of the Corporation’s services, Members must comply with all applicable laws, including applicable laws relating to securities, taxation, and money laundering, as well as sanctions administered and enforced by the Office of Foreign Assets Control (“OFAC”).

Netting Members that are Foreign Persons must notify the Corporation in writing within 2 Business Days of becoming subject to a disciplinary action by their home country regulator.

* * *

Section **121** – Ongoing Monitoring

(a) All Netting Members, Sponsoring Members, **Agent Clearing Members** and Funds-Only Settling Bank Members will be monitored and reviewed by the Corporation on an ongoing and periodic basis, which may include, **without limitation,** monitoring of news and market developments, **and** review of financial reports and other public information, **and through annual and periodic due diligence requests.**

* * *

(f) A Member being placed on the Watch List shall result in **a more thorough enhanced** monitoring of the Member’s financial condition and/or operational capability, which could include, **for example, without limitation,** on-site visits or additional due diligence information requests from the Corporation. In addition, the Corporation may require a Member placed on the Watch List to make more frequent financial disclosures, including, without limitation, interim and/or pro forma reports. Members that are subject to placement on the Watch List are also reported to the Corporation’s management committees and regularly reviewed by a

cross-functional team comprised of senior management of the Corporation. The Corporation may also take such additional actions with regard to any Member (including a Member placed on the Watch List) as are permitted by the Rules.

(g) If the Corporation determines that a legal opinion, or update thereto, submitted by a Member indicates that the Corporation could be subject to Legal Risk with respect to such Member, the Corporation shall have the right to take, and/or require the Member to take, appropriate action(s) to mitigate such Legal Risk, including, but not limited to, requiring the Member to post additional Clearing Fund as set forth in the Margin Component Schedule.

* * *

RULE 3A – SPONSORING MEMBERS AND SPONSORED MEMBERS

[Changes to this Rule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Rule.]

* * *

Section 6 – Trade Submission and the Comparison System

* * *

(b) The Corporation has established standards for designating those Members who shall be required to participate in annual business continuity and disaster recovery testing that the Corporation reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets in the event that business continuity and disaster recovery plans are required to be activated. The standards shall take into account factors such as: (1) activity-based thresholds; (2) significant operational issues of the Member during the twelve months prior to the designation; and (3) past performance of the Member with respect to operational testing. The specific standards adopted by the Corporation and any updates or modifications thereto shall be published to Members and applied on a prospective basis.

* * *

The comparison of Sponsored Member Trades shall be governed by Rule **56** and either: (i) Rule 6A, (ii) Rule 6B or (iii) Sections 1, 2, 4, 6 through 10 and 13 of Rule 6C depending upon the type of comparison for which the Sponsored Member Trades are submitted. The Sponsoring Member shall act as processing agent for performing all functions and receiving Reports and information set forth in these trade submission and comparison Rules on behalf of its Sponsored Members. The Corporation's provision of such Reports and information to the Sponsoring Member shall constitute satisfaction of the Corporation's obligations to provide such Reports and information to the affected Sponsored Members.

* * *

Section 7 – The Netting System and Novation

(a) The following provisions apply to Sponsored Member Trades other than Sponsored GC Trades:

(i) The Sponsored Member Trades of each Sponsored Member shall be Novated and netted in the same manner as set forth in Section 8 of Rule **56** and Sections 1, 4 and 6 of Rule 11 for Netting Member trades as long as such Sponsored Member Trades meet the requirements of Section 2 of Rule 11. **Net Settlement Positions per CUSIP shall be calculated for each Sponsored Member in the same manner set forth in Rule 11 for Netting Members.** The Sponsoring Member shall act as processing agent for performing all functions and receiving Reports and information set forth in Rule 11 on

behalf of its Sponsored Members. The Corporation's provision of such Reports and information to the Sponsoring Member shall constitute satisfaction of the Corporation's obligations to provide such Reports and information to the affected Sponsored Members.

* * *

(iv) Sponsored Member Trades shall be Novated in the same manner in which trades of Netting Members are Novated pursuant to Section 8 of Rule **56**.

(b) The following provisions apply only to Sponsored GC Trades:

* * *

(ii) The End Leg of each Sponsored GC Trade shall be Novated in the same manner as set forth in Section 8 of Rule **56** as of the time that the following requirements have been satisfied on a given Business Day;

* * *

RULE 3B – CENTRALLY CLEARED INSTITUTIONAL TRIPARTY SERVICE

[Changes to this Rule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Rule.]

* * *

Section 9 – Trade Submission and the Comparison System

* * *

(c) The provisions of Rule **56** (Comparison System) shall apply to CCIT Transactions subject to the following:

(i) “Member”, when used in Rule **56**, shall include a CCIT Member or a Joint Account Submitter acting on behalf of a CCIT Member, as applicable.

(ii) With respect to Section 3 (Trade Submission Communication Methods) of Rule **56**, CCIT Transactions may only be submitted using the Interactive Submission Method or the Corporation’s web interface.

(iii) With respect to Section 4 (Submission Size Alternatives) of Rule **56**, CCIT Transactions must be submitted exactly as executed.

* * *

RULE 5 – TRADE SUBMISSION REQUIREMENT

[Changes to this Rule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Rule.]

Netting Members shall submit to the Corporation for Novation all Eligible Secondary Market Transactions, as such term is defined in this Rule, to which such Netting Member is a counterparty.

Section 1 – Scope of Trade Submission Requirement

(a) Eligible Secondary Market Transaction shall mean a secondary market transaction in U.S. Treasury Securities where the transaction is of a type that is accepted by the Corporation for Novation and such transaction is:

- (i) A Treasury Repo Transaction in which at least one of the counterparties is a Netting Member; or**
- (ii) A Buy/Sell Transaction between a Netting Member and:**
 - (A) any counterparty, if the Netting Member brings together multiple buyers and sellers using a trading facility (such as a limit order book) and is a counterparty to both the buyer and seller in two separate transactions; or**
 - (B) a Broker or Dealer.**

(b) The following are excluded from the definition of an Eligible Secondary Market Transaction:

- (i) Treasury Repo Transactions and Buy/Sell Transactions in which one counterparty is a Central Bank, a Sovereign Entity, an International Financial Institution, or a natural person;**
- (ii) Treasury Repo Transactions in which one counterparty is a covered clearing agency providing central counterparty services or a derivatives clearing organization (as such terms are defined in 7 U.S.C. 7a-1 and 17 C.F.R. 39.3), or is regulated as a central counterparty in its home jurisdiction;**
- (iii) Treasury Repo Transactions in which one counterparty is a Local Government; and**
- (iv) Treasury Repo Transactions entered into between a Netting Member and an Affiliated Counterparty, provided that the Affiliated Counterparty submit for clearance and settlement all other Repo Transactions**

collateralized by U.S. Treasury securities to which the Affiliated Counterparty is a party.

(c) For the avoidance of doubt, Netting Members may submit to the Corporation transactions that are excluded from the trade submission requirement set forth in this Rule 5 but are in Eligible Securities and of a type that is accepted by the Corporation for Novation.

Section 2 – Monitoring of Compliance with the Trade Submission Requirement

(a) In connection with the Corporation’s right to monitor each Netting Member’s ongoing compliance with the trade submission requirement set forth in this Rule, each Netting Member agrees to the following:

(i) Each Netting Member must submit to the Corporation, within the timeframes and in the formats required by the Corporation, any reports and other information that the Corporation may reasonably request, as provided for under Section 1 of Rule 3, which may include, for example, reports of trading activity, trade data, and the Netting Member’s policies, procedures or other controls related to its compliance with the trade submission requirement;

(ii) The Corporation may inspect the books and records of each Netting Member, as provided for under Section 10 of Rule 3; and

(iii) Each Netting Member authorizes the Corporation to request information from such Netting Member’s Designated Examining Authority or Appropriate Regulatory Agency as the Corporation deems necessary and as may be available to be shared, which may include, for example, information related to such authority or agency’s examination of the Netting Member’s trading practices, trading reports and other records.

(b) Each Netting Member shall promptly notify the Corporation in writing within 2 Business Days from the date on which it learns that it is no longer in compliance with the trade submission requirement set forth in this Rule 5, as provided for in Section 7(a) of Rule 3. Written notification of non-compliance shall include all relevant facts that are known to the Netting Member at the time of the notification, including, for example, (i) the approximate duration of the non-compliance with the trade submission requirement; (ii) either the time when non-compliance with the trade submission requirement was remediated or the anticipated steps to be taken to remediate such non-compliance and the approximate time when non-compliance is expected to be remediated; and (iii) identification and contact information of the member of the Netting Member’s Controlling Management that is overseeing the matter.

(c) Each Netting Member shall (i) provide the Annual Trade Submission Attestation, (ii) complete the Triennial Independent Trade Submission Review, and (iii) provide the Triennial Independent Trade Submission Report, as ongoing obligations of its continued membership with the Corporation, as set forth in Rule 3.

Section 3 – Enforcement of Compliance with the Trade Submission Requirement

If a Netting Member fails to comply with the trade submission requirement set forth in this Rule 5, the Corporation shall (i) assess a fine pursuant to the Fine Schedule; and (ii) notify the Netting Member’s Designated Examining Authority or Appropriate Regulatory Agency and the SEC.

If a Netting Member notifies the Corporation that it has failed to comply with the trade submission requirement set forth in this Rule 5 before such failure is independently discovered by the Corporation, the Corporation shall waive the applicable fine and regulatory notification for 10 Business Days following such notification to the Corporation to allow the Netting Member time to remediate such compliance failure.

Section 4 – Prohibition Against Pre-Netting of Trade Data

All trade data submitted to the Corporation must be submitted on a trade-by-trade basis in the form executed with the original terms of the trades unaltered and without any pre-netting of such trades prior to their submission. The Corporation shall deem any form of summarization, compression or other form of netting or practice that combines two or more trades prior to their submission to the Corporation, or any practice or action designed to contravene this prohibition, as a violation of this Rule, and this prohibition shall apply to any Netting Member (including any Sponsoring Member and Agent Clearing Member) that, directly or indirectly, engages in such practice.

If the Corporation determines, in its sole discretion, that a Netting Member has violated its obligations pursuant to this Section 4, such Netting Member may be subject to a Credit Compliance Charge pursuant to the Margin Component Schedule, in the sole discretion of the Corporation.

RULE **56** – COMPARISON SYSTEM

[Changes to this Rule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Rule.]

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RULE 6B – DEMAND COMPARISON

[Changes to this Rule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Rule.]

Section 1 – General

In order for the Corporation to process a trade for Demand Comparison, the Corporation must receive the trade data from a Demand Trade Source.

The Corporation has designated the Repo Brokers as Demand Trade Sources with respect to Brokered Repo Transactions (other than GCF Repo Transactions) that are submitted to the Corporation by the deadline established for this purpose in the Schedule of Timeframes. Brokered Repo Transactions (other than GCF Repo Transactions) submitted by the deadline noted in the previous sentence will be processed for Demand Comparison. With respect to such transactions, Repo Parties remain subject to Section 1 of Rule ~~56~~ which requires the Repo Party to also submit the transaction data to the Corporation. Brokered Repo Transactions submitted after the deadline noted in the first sentence of this paragraph will be processed for Bilateral Comparison.

* * *

RULE 10 – ENHANCED COMPARISON PROCESSES PRESUMED MATCH DATA

[Changes to this Rule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Rule.]

* * *

Section 43 – Summarization of Par Amounts

If the data on a ~~trade~~ **Buy/Sell Transaction** do not compare because the information submitted regarding par amount, viewed on an individual buy/sell basis, does not match, the Corporation may, in its discretion, compare the trade based on a match of either the total of the par amounts on two or more buy sides equaling the par amount(s) on one or more sell sides, or the total of the par amounts on two or more sell sides equaling the par amount(s) on one or more buy sides. This Section shall not apply to Repo Transactions.

If the data on a Full-Sized Trade do not compare because: (i) one side of a trade submitted a Full-Sized Trade and the other side of the trade did not, and (ii) the Corporation was not able to compare the trade pursuant to the procedures referred to in Section 4 of Rule 56, the Corporation may, in its discretion, perform a par summarization or similar process in order to attempt to match the trade.

Section 54 – Trade Date Information

If the data on a trade do not compare because the information submitted regarding trade date does not match, the Corporation shall, compare the trade based on a presumption that the earlier trade date submitted is the correct trade date.

Notwithstanding the above, if the First Member submits a side of a ~~b~~**Buy/s**~~S~~**ell** ~~t~~**ransaction** to the Corporation, and the Second Member as contra-party submits more than one (1) side of a ~~b~~**Buy/s**~~S~~**ell** ~~t~~**ransaction** with similar trade data to the Corporation where the trade date does not match, the Corporation shall compare the side of the ~~b~~**Buy/s**~~S~~**ell** ~~t~~**ransaction** submitted by the First Member with a side of a ~~b~~**Buy/s**~~S~~**ell** ~~t~~**ransaction** submitted by the Second Member where the trade date on the Second Member's ~~b~~**Buy/s**~~S~~**ell** ~~t~~**ransaction** is closest in date range to the trade date submitted by the First Member.

The enhanced comparison process referenced in this Section shall not apply to Repo Transactions when such process is performed at end of day.

* * *

RULE 11 – NETTING SYSTEM

[Changes to this Rule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Rule.]

* * *

Section 3—Obligation to Submit Trades

~~Each Netting Member must submit to the Corporation for comparison and netting, pursuant to these Rules, data on all of its trades, (including trades executed and settled on the same day and trades executed between it or an Executing Firm **Customer** on whose behalf it is acting) with other Netting Members (or an Executing Firm **Customer** on whose behalf it or another Member is acting) that are eligible for netting pursuant to these Rules, except that this requirement is not applicable to a Netting Member's Repo Transactions (a Netting Member's obligation to submit to the Corporation data on its Repo Transactions is governed by Rule 18).~~

~~Each Netting Member must also submit to the Corporation for netting and settlement pursuant to these Rules data on each trade (hereinafter an "Eligible Trade") executed by a Covered Affiliate that satisfies the following criteria: (i) the trade is eligible for netting pursuant to these Rules, and (ii) the trade is executed with another Netting Member or with a Covered Affiliate of another Netting Member. For purposes of this Section the term "executed" shall include trades that are cleared and guaranteed as to their settlement by the Covered Affiliate.~~

~~The preceding paragraph shall not apply to: (i) a trade that is executed between a Member and its Affiliates or between Affiliates of the same Member (an "Affiliate Trade"), (ii) a trade of a Covered Affiliate that has executed less than an average of 30 Eligible Trades plus Eligible Repo Transactions (as defined in Section 3 of Rule 18) (excluding Affiliate Trades) per business day per month within the prior twelve-month period, or (iii) a trade the submission of which to the Corporation would cause the Member to be in violation of any applicable law, rule or regulation.~~

~~All trade data required to be submitted to the Corporation under this Section must be submitted on a trade-by-trade basis with the original terms of the trades unaltered. A Member or any of its Affiliates may not engage in the Pre-Netting of Trades prior to their submission to the Corporation in contravention of this section. In addition, a Member or any of its Affiliates may not engage in any practice designed to contravene the prohibition against the Pre-Netting of Trades.~~

~~If the Corporation determines that a Netting Member has, without good cause, violated its obligations pursuant to this Section, such Netting Member may be reported to the appropriate regulatory body, placed on the Watch List and/or subject to an additional fee. In addition, the Corporation may discipline a Netting Member for a violation of this section in accordance with Rule 48.~~

~~Notwithstanding the above, the trade submission requirements related to Repo Transactions are governed by Rule 18.~~

Section ~~43~~ – Calculation of Net Settlement Positions

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Section ~~54~~ – Allocation of Deliver and Receive Obligations

* * *

Section ~~65~~ – Netting of Obligations

Net Settlement Positions and resultant Deliver Obligations and Receive Obligations of a Netting Member, either as originally established by the Corporation or as may be adjusted by the Corporation as the result of a correction of compared data made pursuant to these Rules, shall be fixed at the time the Report of such Net Settlement Positions and Deliver Obligations is made available by the Corporation to a Netting Member, as provided in Section 10 of this Rule. At that time, all deliver, receive, and related payment obligations between such Netting Member and the Corporation that were created by the trades, Novated pursuant to Section 8 of Rule ~~56~~, and that comprise a Net Settlement Position or Net Settlement Positions are terminated and replaced by the Deliver Obligations, Receive Obligations, and related payment obligations for such Members that are listed in the Report.

Notwithstanding anything to the contrary in the above paragraph, a Right of Substitution applicable to a Repo Transaction that constitutes all or part of a Net Settlement Position shall be recognized by the Corporation pursuant to these Rules.

Section ~~76~~ – Settlement at the Settlement Value

* * *

Section ~~87~~ – Fail Deliver Obligations and Fail Receive Obligations

* * *

Section ~~98~~ – Obligation to Make Settlement

* * *

Section ~~109~~ – Receipt of Netting Output

* * *

Section ~~110~~ – Responsibility for Third Party Actions

* * *

Section ~~1211~~ – Obligation to Inform the Corporation

* * *

Section ~~13~~12 – Buy-in Notices

* * *

Section ~~14~~13 – Fails Charge

* * *

RULE 14 – FORWARD TRADES

[Changes to this Rule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Rule.]

* * *

Section 3 – Netting

Forward Net Settlement Positions of a Netting Member, either as originally established by the Corporation or as may be adjusted by the Corporation as the result of a correction of compared data made pursuant to these Rules, shall be fixed at the time the Report of such Forward Net Settlement Positions is made available by the Corporation to a Netting Member, as provided in Section 10 of Rule 11. At that time, all deliver, receive, and related payment obligations between such Netting Member and the Corporation that were created by the Forward Trades, Novated by the Corporation pursuant to Section 8 of Rule ~~56~~, and that comprise each Forward Net Settlement Position are terminated and replaced by the Deliver Obligations, Receive Obligations, and related payment obligations that will be established and reported by the Corporation with respect to each such Forward Net Settlement Position on and, as applicable, after the Scheduled Settlement Date for such Forward Net Settlement Positions.

* * *

**RULE 15 – SPECIAL PROVISIONS FOR CERTAIN NETTING MEMBERS
REPO-BROKERS INTER-DEALER-BROKER-NETTING-MEMBERS RESERVED**

[Changes to this Rule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Rule.]

Section 1 – Submitting Members

~~A Submitting Member that has submitted to the Corporation pursuant to these Rules data on a trade on behalf of an Executing Firm shall be obligated to the Corporation pursuant to these Rules (including, if the trade is netted and settled through the Netting System, as regards the calculation of payment of Required Fund Deposit and Funds-Only Settlement Amounts) in connection with such trades to the same degree as if it itself had executed such trades.~~

Section 2 – Repo Brokers

~~At the request of the Corporation, each **Repo-Inter-Dealer Broker-Netting-Member** shall submit to the Corporation, data on all of its trades in Eligible Netting Securities, including trades done with **customersNon-Members**. Such request may include such data as is necessary to indicate, by reference number, a buy side that matches in par amount, and is bound to, one or more sell sides, and vice versa. Moreover, for every trade done by **an Repo-Inter-Dealer Broker-Netting-Member** involving an Eligible Netting Security, including trades done with **customersNon-Members**, the identity of each buy side and sell side counterparty shall be disclosed to the Corporation, in the form and manner prescribed by the Corporation for such disclosure. The requirements of this paragraph shall not apply to Repo Transactions.~~

~~If **an Repo-Inter-Dealer Broker-Netting-Member** fails to comply with the requirements of this Section, the Corporation in its sole discretion, may treat such Member for purposes of these Rules as if it were a Dealer Netting Member, upon providing notice of such to the Member.~~

~~Notwithstanding anything to the contrary elsewhere in these Rules, including Rule 1, trades by **an Repo-Inter-Dealer Broker-Netting-Member** with a **customerNon-Members** that clears all of its trades in Eligible Netting Securities through one or more Netting Members (excluding Netting Members that are **Repo-Inter-Dealer Brokers-Netting-Members**), each of which in turn submits all of such trades of the **Repo-Inter-Dealer Broker-Netting-Member** to the Corporation for netting and settlement through the Netting System, shall be treated by the Corporation for purposes of determining the status of the **Repo-Inter-Dealer Broker-Netting-Member** as if they were trades with a Netting Member.~~

This Rule is reserved for future use.

* * *

RULE 18 – SPECIAL PROVISIONS FOR REPO TRANSACTIONS

[Changes to this Rule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Rule.]

* * *

~~Section 2—Obligation to Submit Repo Transactions~~

~~Each Netting Member that has requested of the Corporation that it provide its Netting System services for such Member’s Repo Transaction data submissions must submit to the Corporation, or to either another Clearing Agency or a Clearing Agency that has been exempted from registration as a Clearing Agency by the SEC, for comparison and netting, data on all of its Repo Transactions, including Repo Transactions executed by an Executing Firm **Customer** on whose behalf it is acting, with any other Netting Member or Executing Firm **Customer** on whose behalf it or another Netting Member is acting, if such Repo Transactions are eligible for netting pursuant to these Rules.~~

~~Each Netting Member must also submit to the Corporation for netting and settlement pursuant to these Rules data on each Repo Transaction (hereinafter, an “Eligible Repo Transaction”) executed by a Covered Affiliate that satisfies the following criteria: (i) the Repo Transaction is eligible for netting pursuant to these Rules, and (ii) the Repo Transaction is executed with another Netting Member or with a Covered Affiliate of another Netting Member. For purposes of this Section, the term “executed” shall include Repo Transactions that are cleared and guaranteed as to their settlement by the Covered Affiliate.~~

~~The preceding paragraph shall not apply to: (i) a Repo Transaction that is executed between a Member and its Affiliates or between Affiliates of the same Member (hereinafter, an “Affiliate Trade”), (ii) a trade of a Covered Affiliate that has executed less than an average of 30 Eligible Trades (as defined in Section 3 of Rule 11) plus Eligible Repo Transactions (excluding Affiliate Trades) per business day per month within the prior twelve-month period meeting such criteria, or (iii) a Repo Transaction the submission of which to the Corporation would cause the Member to be in violation of any applicable law, rule or regulation.~~

~~All trade data required to be submitted to the Corporation under this Section must be submitted on a trade-by-trade basis with the original terms of the trades unaltered. A Member or any of its Affiliates may not engage in the Pre-Netting of Trades prior to their submission to the Corporation in contravention of this section. In addition, a Member or any of its Affiliates may not engage in any practice designed to contravene the prohibition against the Pre-Netting of Trades.~~

~~If the Corporation determines that a Netting Member has, without good cause, violated its obligations pursuant to this section, such Netting Member may be reported to the appropriate regulatory body and/or placed on the Watch List. In addition, the Corporation may discipline a Netting Member for a violation of this section in accordance with Rule 48.~~

Section 32 – Collateral Substitutions

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Section 43 – General Collateral Forward-Starting Repos

* * *

Section 54 – Repo Transactions with Maturing Collateral

* * *

RULE 20 – SPECIAL PROVISIONS FOR GCF REPO TRANSACTIONS

[Changes to this Rule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Rule.]

* * *

Section 5 – Novation

GCF Net Settlement Positions and resultant Collateral Allocation Entitlements and Collateral Allocation Obligations, either as originally established by the Corporation or as may be adjusted by the Corporation as the result of a modification of data made pursuant to these Rules, shall be fixed at the time the Report of such GCF Net Settlement Positions, Collateral Allocation Entitlements, and Collateral Allocation Obligations is made available by the Corporation to a Netting Member. At that time, all deliver, receive, and related payment and Collateral Allocation Obligations between such Netting Member and the Corporation that were created by the GCF Repo Transactions, Novated by the Corporation pursuant to Section 8 of Rule **56**, and that comprise a GCF Net Settlement Position or GCF Net Settlement Positions are terminated and replaced by the Collateral Allocation Entitlements and Collateral Allocation Obligations and related payment obligations for such Members that are listed in the Report.

* * *

RULE 22A – PROCEDURES FOR WHEN THE CORPORATION CEASES TO ACT

[Changes to this Rule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Rule.]

* * *

Section 2a – Liquidity Requirements of Netting Members

* * *

(d) Required Attestation and Acknowledgements

~~At regular intervals determined in the Corporation's sole discretion~~ **On at least an annual basis,** or upon demand by the Corporation, each Netting Member shall **deliver to the Corporation a CCLF Attestation and any required acknowledgements concerning the Netting Member's understanding of and ability to meet its Capped Contingency Liquidity Facility obligations as required by Section 2(iii) of Rule 3—attest that its Individual Total Amount has been incorporated into its liquidity plans (such attestation, the “Required Attestation”).** The Required Attestation must be signed by two authorized officers of the Netting Member (or otherwise be satisfactory in form and substance to the Corporation) and contain the following certifications: (1) such officers have read and understand the Rules, (2) the Netting Member's Individual Total Amount has been incorporated into the Netting Member's liquidity planning, (3) the Netting Member acknowledges and agrees that its Individual Total Amount may be changed pursuant to Section 2a(b)(ii) through (v) of this Rule or otherwise upon ten (10) Business Days' Notice, (4) the Netting Member will incorporate any changes to its Individual Total Amount into its liquidity planning, and (5) the Netting Member shall, through periodic discussions with its financing sources and other methods, continually reassess its liquidity plans and related operational plans, including in the event of any changes to such Netting Member's Individual Total Amount, to ensure such Netting Member's ability to meet its Individual Total Amount.

~~(e)~~ **Required Acknowledgements**

~~The Corporation may require Netting Members to provide certain acknowledgements to the Corporation, in such form and at such times as the Corporation may determine from time to time, concerning the Netting Member's understanding of and ability to meet its Capped Contingency Liquidity Facility obligations. Such written acknowledgements include, but are not limited to, an acknowledgement from each Netting Member whose Capped Contingency Liquidity Facility obligations increase by an amount exceeding certain thresholds established by the Corporation following any ad hoc resizing of the Capped Contingency Liquidity Facility confirming such Netting Member's ability to meet the increased obligation. The Corporation will inform Netting Members of any such required acknowledgements, including specific thresholds for any required acknowledgement, by Important Notice.~~

* * *

SCHEDULE OF REQUIRED MATCH DATA

[Changes to this Schedule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Schedule.]

These Required Match Data items are applicable to all Transactions, including Repo Transactions, except as otherwise noted below:

* * *

- (5) Settlement amount (final money) - if this field is left blank, the Corporation will calculate the settlement amount using: (a) for Repo Transactions, the start amount, the Contract Repo Rate, and the number of days from start date to settlement date, and (b) for ~~b~~Buy/~~s~~Sell ~~t~~Transactions, the par value, price, and accrued interest

* * *

SCHEDULE OF REQUIRED DATA SUBMISSION ITEMS

[Changes to this Schedule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Schedule.]

In addition to the data items listed in the Schedule of Required Match Data, the following data items are required, as indicated below, to be submitted by Members when they submit trade data to the Corporation:

* * *

- (6) Pricing method - for ~~h~~**B**uy/~~s~~**S**ell ~~t~~**T**ransactions, this field must be submitted with either a “D” (discount), “P” (price), or “Y” (yield), while for Repo Transactions, this field must be submitted with an “R” (rate)

* * *

SCHEDULE OF MONEY TOLERANCES

[Changes to this Schedule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Schedule.]

The following Money Tolerances have been established by the Corporation:

- (1) Settlement amount – \$0.10 per \$1 million for Repo Transactions (applicable in Real Time) Notwithstanding this tolerance, any money difference of \$1.00 or less in the settlement amount of a trade will not prevent the trade from being matched.

Settlement amount – \$2 per \$1 million for ~~b~~Buy/~~s~~Sell ~~t~~Transactions (applicable in Real Time)

- (2) Settlement amount – \$40 per \$1 million for ~~buy-sell~~ Buy/Sell ~~t~~Transactions (in connection with the Corporation’s presumption of a match of data pursuant to Rule 10)
- (3) Start amount (applies only to Repo Transactions) – \$1 per Repo Transaction

* * *

FEE STRUCTURE

* * *

[Changes to this Fee Structure, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Fee Structure.]

I. TRANSACTION FEES

* * *

B. Yield-to-Price Conversion

The charge for the conversion by the Corporation of a side of a ~~b~~**B**uy/~~s~~**S**ell ~~€~~**T**ransaction from a yield basis to a price basis is \$0.15 per such side.

C. Modifications and Cancellations

The charge to a Member for the entry of a request to modify or cancel either a side of a ~~b~~**B**uy/~~s~~**S**ell ~~€~~**T**ransaction or a Repo Transaction, other than a GCF Repo Transaction or a CCIT Transaction, is \$0.25 per such request.

* * *

F. Auction Takedown Process

The fees for ~~b~~**B**uy/~~s~~**S**ell ~~€~~**T**ransactions associated with the Auction Takedown Service will be charged in accordance with the “Transaction Processing” fees in Section I.A. and the “Position Management Fees” in Section II.

G. Locked-In Trade Data

Data received by the Corporation on a locked-in basis from a Locked-In Trade Source related to a side of a ~~b~~**B**uy/~~s~~**S**ell ~~€~~**T**ransaction entered into by a Member, or entered into by a Non-Member that the Member is clearing for, shall result in the charges established by the “Transaction Processing” fees in Section I.A. above. These fees are for the processing and reporting of Locked-In Trade data by the Corporation to the Member. This charge shall not apply to GCF Repo Transactions or CCIT Transactions.

* * *

II. POSITION MANAGEMENT FEES

A. Intraday Position Fee

An intraday position fee of \$0.04 per million par value will be charged to a Member each Business Day based on the largest gross position of the Member (including positions of any

~~customerNon-Member~~ that the Member is clearing for) that Business Day. The gross position of a Member on a Business Day is determined in 15-minute intervals between 9 a.m. and 4 p.m. on that Business Day by netting par value of all compared ~~bBuy/sSell tTransactions~~, Repo Transactions, and unsettled obligations of the Member (and any ~~customersNon-Members~~ that the Member is clearing for) by CUSIP Number and taking the sum of the absolute par value of each such CUSIP Number. This fee shall not apply to GCF Repo Transactions or CCIT Transactions.

B. End of Day Position Fee

An end of day position fee of \$0.105 per million par value will be charged to a Member each Business Day based on the end of day gross position of the Member (including positions of any ~~customerNon-Member~~ that the Member is clearing for) that Business Day. The end of day gross position of a Member on a Business Day is determined by netting par value of all compared ~~bBuy/sSell tTransactions~~, Repo Transactions, and unsettled obligations of the Member (and any ~~customerNon-Member~~ that the Member is clearing for) at the end of the Business Day by CUSIP Number and taking the sum of the absolute par value of each such CUSIP Number. This fee shall not apply to GCF Repo Transactions or CCIT Transactions.

* * *

VIII. DEFINITION

For purposes of this Fee Structure, a “side” of a ~~bBuy/sSell tTransaction~~, and a Start Leg or an End Leg of a Repo Transaction other than a GCF Repo Transaction or a CCIT Transaction, shall be limited to \$50 million increments. Thus, if the aggregate amount of a side of a ~~bBuy/sSell tTransaction~~, or of a Start Leg or End Leg of a Repo Transaction other than a GCF Repo Transaction or a CCIT Transaction, is greater than \$50 million, each \$50 million portion of that aggregate amount (including the final, residual portion if that is less than \$50 million) shall be considered as a separate “side” or Leg for purposes of this Fee Structure. A Term GCF Repo Transaction and a CCIT Transaction shall each be considered to have only one Start Leg and one End Leg during its term.

* * *

FINE SCHEDULES

[Changes to this Schedule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Schedule.]

Late Satisfaction of Clearing Fund Deficiency Call

* * *

FINE SCHEDULE

Failure to Timely Provide Financial and Related Information

	First <u>Occasion</u>	Second <u>Occasion</u>	Third <u>Occasion</u>	Fourth <u>Occasion</u>
Request for Information*				
Financial Reports**	\$300	\$600	\$1,500	***
<u>Reports, Information and Due Diligence Requests**</u>	<u>\$5,000</u>	<u>\$10,000</u>	<u>\$15,000</u>	<u>\$20,000***</u>

* Fines to be levied for offenses within a moving twelve-month period beginning with the first occasion.

** For purposes of this Fine Schedule, Reports/Information shall mean the financial, regulatory and other information required to be submitted to the Corporation pursuant to the Rules, Procedures, Important Notices or notices on the Corporation’s website.

*** ~~Fourth or more occasion~~ Fines **for more than four occasions** will be determined by the Corporation with the concurrence of the Board of Directors.

The fine for failure to deliver timely and accurate responses to due diligence requests, in the form required by the Corporation, shall be assessed on the 31st Business Day following the day on which such responses are due. The fine for failure to deliver all other information shall be assessed on the Business Day following the day on which such information is due.

In all cases, the applicable fine shall be assessed every 10 Business Days and shall increase by \$5,000 each time it is assessed, as demonstrated in the table above, until such responses have been delivered to the Corporation.

If the Member’s late submission applies to more than one DTCC clearing agency subsidiary, the fine amount will be divided equally among the clearing agencies. Where the Member is a participant of DTC and is a common member of one or more of the other clearing agencies, the fine would be collected by DTC and allocated equally among other clearing agencies, as appropriate. If the member is not a DTC participant, but is a common member between NSCC and FICC, NSCC will collect the fine and allocate the appropriate portion to FICC.

* * *

Failure to Confirm OFAC Program

Fine Name	Amount(s)
Failure to confirm OFAC Program	\$5,000.00

Failure to Maintain or Upgrade Network Technology, or Communications Technology or Protocols

Fine Name	Amount(s)
Failure to maintain or upgrade technology	\$5,000

Failure to Provide Required Attestations

<u>Fine Name</u>	<u>Amount(s)</u>
<u>CCLF Attestation and CCLF Required Acknowledgements</u>	<u>\$5,000</u>
<u>Cybersecurity Attestation</u>	<u>\$5,000</u>
<u>Annual Trade Submission Attestation</u>	<u>\$10,000</u>
<u>Triennial Independent Trade Submission Report</u>	<u>\$15,000</u>

The applicable fine for failure to deliver an attestation to the Corporation, in the form required by the Corporation, shall be assessed on the Business Day following the day on which such attestation is due. The applicable fine shall be assessed every 10 Business Days until such attestation has been delivered to the Corporation.

Failure to Comply with Trade Submission Requirements

<u>Fine Name</u>	<u>Amount</u>
<u>Failure to Comply with Trade Submission Requirements</u>	<u>\$20,000</u>

The fine shall be assessed by the Corporation on the Business Day that the Corporation has determined that a Netting Member has failed to comply with the trade submission requirements set forth in Rule 5 and shall be assessed every 30 Business Days until the Corporation has determined, in its sole discretion, that the failure to comply with this requirement has been remediated.

MARGIN COMPONENT SCHEDULE

[Changes to this Schedule, as amended by File No. SR-FICC-2024-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than March 31, 2025, these changes will be implemented, and this legend will automatically be removed from this Schedule.]

* * *

Section 4 – Increased Required Fund Deposits

(a) Notwithstanding anything to the contrary in the Rules, the Corporation may require a Netting Member to make and maintain a higher Required Fund Deposit than the amount calculated pursuant to this Schedule, if the Corporation determines that such higher Required Fund Deposit is necessary to protect the Corporation and its Members from Legal Risk.

(b) The Corporation may require a Netting Member to make an additional payment (“special charge”) applied to its Required Fund Deposit as determined by the Corporation from time to time in view of market conditions and other financial and operational capabilities of the Member. The Corporation shall make any such determination based on such factors as the Corporation determines to be appropriate from time to time.

(c) The Corporation may require a Netting Member that has been placed on the Watch List to make and maintain an additional deposit applied to its Required Fund Deposit over and above the amount determined in accordance with this Schedule, as provided for in Section 11 of Rule 3.

(d) The Corporation may, in its sole discretion, add a Credit Compliance Charge to the Required Fund Deposit of a Member pursuant to the Rules.

(e) The Corporation may require a Netting Member to make additional deposits or to make and maintain a higher Required Fund Deposit pursuant to the Rules.

(f) The Corporation shall apply the higher of the Required Fund Deposit calculation as of the beginning of the current Business Day and Intraday on the current Business Day for the Sponsoring Member Omnibus Account.

Section 5 – Definitions and Calculations of Clearing Fund Components

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Credit Compliance Charge

The term “Credit Compliance Charge” means an amount equal to the greater of (i) \$1,000,000, or (ii) 25 percent of a Member’s Required Fund Deposit.

* * *