

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–97897; File No. SR–FICC–2023–009]

### Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Modify the GSD Rules, MBSD Rules, and EPN Rules

July 13, 2023.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b–4 thereunder,<sup>2</sup> notice is hereby given that on July 6, 2023, 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. FICC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b–4(f)(6) thereunder.<sup>4</sup> 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 the FICC Government Securities Division (“GSD”) Rulebook (“GSD Rules”), the FICC Mortgage-Backed Securities Division (“MBSD”) Clearing Rules (“MBSD Rules”) and the FICC MBSD EPN Rules (“EPN Rules,” and together with the GSD Rules and the MBSD Rules, the “Rules”)<sup>5</sup> in order to make certain corrections, clarifications, and technical changes to the Rules, each as described in more detail below.

#### 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

FICC is proposing to make certain corrections, clarifications, and technical changes to the Rules, each as described in more detail below.

##### A. Corrections

##### 1. Correct Uses of Defined Terms

##### Proposed Changes To Reflect Existing Defined Terms

FICC is proposing to correct the following references to reflect the existing defined terms:

- In GSD Rule 6C, Section 12, FICC proposes to revise “GCF Inter-Dealer Broker” to “GCF-Authorized Inter-Dealer Broker.”
- In GSD Rule 11, Section 14, FICC proposes to revise references from “defaulting Member” to “Defaulting Member.”
- In GSD Rule 12, Section 4, FICC proposes to revise “Actual Settlement Day” to “Actual Settlement Date.”
- In GSD Rule 12, Section 4 and GSD Rule 14, Section 3, FICC proposes to revise “Scheduled Settlement Day” to “Scheduled Settlement Date.”
- In GSD Rule 18, Section 3, FICC proposes to revise the reference from “Generic CUSIP” to “Generic CUSIP Number.”
- In the Schedule of Timeframes in the GSD Rules, FICC proposes to revise “long position” to “Net Long Position” in the description of the 9:15 a.m. timeframe.
- In the definition of Current Haircut in GSD Rule 1, FICC proposes to revise “Close Leg” to “End Leg.”
- In the Schedule of Required and Other Data Submission Items for GCF Repo Transactions, FICC proposes to revise “Close Leg” to “End Leg.”

In addition, in Section IV.B.4 of the Fee Structure of the GSD Rules, FICC is proposing to remove specific references to “The Bank of New York Mellon” and/or “BNY,” and to replace them with references to either “the Corporation’s Clearing Agent Bank” or “the Corporation’s GCF Clearing Agent Bank,” as applicable. FICC is proposing this change to use the defined terms rather than the specific name and/or acronym of the current Clearing Agent Bank and GCF Clearing Agent Bank if there are other Clearing Agent Banks or GCF Clearing Agent Banks in the future.

In the section entitled Late Fee Related to GCF Repo Transactions in

Section IX of the Fee Structure of the GSD Rules, FICC is also proposing to correct the reference from “GCF Repo Clearing Agent Bank” to “GCF Clearing Agent Bank” to reflect the existing defined term.

FICC also proposes to revise a reference from “members” to “Netting Members” in the description of the 9:15 a.m. timeframe in the Schedule of Timeframes in the GSD Rules to reflect the existing defined term.

FICC is also proposing to capitalize the following words to reflect the existing defined terms in the GSD Rules: (i) “security” in GSD Rule 22A; (ii) “members” in the description of the 8:00 p.m. timeframe in the Schedule of Timeframes; (iii) “mark” in the last sentence of the definition of “Net Fail Mark Adjustment Payment” in GSD Rule 1; (iv) “collateral allocation obligations” in GSD Rule 20, Section 5; (v) “transactions” in the Schedule of Required Match Data; and (vi) “repo transactions” in the Schedule of Money Tolerances.

FICC is also proposing to make the following terms lowercase because they are not defined terms in the GSD Rules: (i) “Obligations” in GSD Rule 16; and (ii) “Positions” in GSD Rule 17, Section 4.

##### Proposed Changes To Correct References to Titles of Certain Schedules and Rules

In GSD Rule 6C, Section 5, FICC is proposing to revise the reference from Schedule of Data Items for GCF Repo Transactions to Schedule of Required and Other Data Submission Items for GCF Repo Transactions. In addition, in GSD Rule 3B, Section 13(d), FICC proposes to revise the reference from invoicing process to Bills Rendered.

##### Proposed Changes To Correct References to Terms Not Defined

In GSD Rule 1, FICC would remove the defined term “Non-Conversion Participating Member” because this defined term is not used in the GSD Rules.

In addition, FICC proposes to revise the term “Conversion Participating Member” to “Member” in GSD Rule 9, Section 2 because Conversion Participating Member is not a type of member and is also not defined in the GSD Rules.

##### Proposed Changes To Replace References With Correct Defined Terms

In GSD Rule 13, Section 1, FICC proposes to correct the reference from Positions to transactions because Credit Forward Mark Adjustment Payments are

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b–4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b–4(f)(6).

<sup>5</sup> Capitalized terms used herein and not defined shall have the meanings assigned to such terms in the GSD Rules, MBSD Rules and EPN Rules, as applicable, available at <https://www.dtcc.com/legal/rules-and-procedures>.

associated with transactions and not Positions.

Current GSD Rule 12, Section 8 states that if FICC deems it appropriate, in its sole discretion, in order to obtain financing necessary for the provision of the securities settlement services contemplated by the GSD Rules, including, without limitation, fail financing of securities Positions arising out of the delivery by Netting Members to FICC of Eligible Netting Securities, FICC may create security interests in Eligible Netting Securities in favor of any entity it deems necessary or desirable to obtain and maintain financing and/or enter into repurchase transactions involving Eligible Netting Securities with any Netting Member or Clearing Agent Bank. FICC proposes to correct the reference from “securities Positions” to “an outstanding Receive Obligation or Receive Obligations” in current GSD Rule 12, Section 8 to enhance accuracy, and thereby enhance clarity.

#### Proposed Changes Related to CCIT Transactions

The “CCIT Service” or the “Centrally Cleared Institutional Triparty Service” is the service offered by FICC to clear institutional triparty repurchase agreement transactions.<sup>6</sup> A CCIT Transaction is a transaction that is processed by FICC in the CCIT Service. Because the CCIT Service leverages the infrastructure and processes of the GCF Repo Service, a CCIT Transaction must be: (i) in a Generic CUSIP Number approved for the GCF Repo Service and (ii) between a CCIT Member and a Netting Member who participates in the GCF Repo Service where the CCIT Member is the cash lender in the transaction.<sup>7</sup>

In GSD Rule 1, FICC proposes to correct the definition of Start Leg to include references to CCIT Transactions as these references were inadvertently omitted. Specifically, in the first sentence of the definition of Start Leg, FICC would clarify that it is as regards a Repo Transaction other than a GCF Repo Transaction or a CCIT Transaction as applicable. In addition, in the second sentence of the definition, FICC would clarify that it is as regards a GCF Repo Transaction or a CCIT Transaction as applicable. FICC is proposing to add these references to CCIT Transactions because the CCIT Service leverages the infrastructure and processes of the GCF Repo Service, and these provisions currently reference GCF Repo Transactions.

In GSD Rule 1, FICC also proposes to correct the definition of Generic CUSIP Number to include CCIT Transactions in the second sentence. Currently, the sentence states that FICC shall use separate Generic CUSIP Numbers for General Collateral Repo Transactions, GCF Repo Transactions and Sponsored GC Trades. FICC proposes to revise this second sentence to state that FICC shall use separate Generic CUSIP Numbers for General Collateral Repo Transactions, GCF Repo Transactions, CCIT Transactions and Sponsored GC Trades. FICC is proposing this change because one of the requirements for a CCIT Transaction is that it must be in a Generic CUSIP Number approved for the GCF Repo Service because the CCIT Service leverages the infrastructure and processes of the GCF Repo Service.

FICC would also clarify the Schedule of Required Match Data in the GSD Rules by adding that this schedule does not apply to CCIT Transactions in addition to Netting-Eligible Auction Purchases and GCF Repo Transactions. Currently, the Schedule of Required Match Data states that this schedule does not apply to Netting-Eligible Auction Purchases and GCF Repo Transactions. Because the CCIT Service leverages the infrastructure and processes of the GCF Repo Service, FICC proposes to clarify that this Schedule of Required Match Data in the GSD Rules also does not apply to CCIT Transactions.

Similarly, in the Schedule of Required and Accepted Data Submission Items for New Securities Collateral and in the Schedule of Required and Accepted Data Submission Items for a Substitution, FICC would clarify that these schedules also do not apply to CCIT Transactions.

#### 2. Remove “Foreign Affiliates” and “Foreign Affiliate Trade”

Currently, GSD Rule 3, Section 2 states that on an annual basis, Netting Members must report information on their Foreign Affiliate Trades to FICC, and this reporting will be submitted to FICC containing the information, in the format and within the timeframes specified by guidelines issued by FICC from time to time. It also states that this reporting requirement does not apply to Foreign Affiliate Trades of a Foreign Affiliate that has executed less than an average of 30 Foreign Affiliate Trades per business day per month within the prior twelve-month period. FICC is proposing to remove this annual reporting requirement for Foreign Affiliate Trades. Given that non-U.S. firms may apply for membership with GSD and no longer need to submit

trading activity to FICC for clearing through their U.S. affiliates, the information provided in this reporting, which is time consuming for participants to complete, is no longer useful to FICC from a risk management perspective. Therefore, FICC does not believe that it should continue to require this reporting and is proposing to remove it from the GSD Rules.

In addition, FICC proposes to remove the defined terms “Foreign Affiliate” and “Foreign Affiliate Trade” in GSD Rule 1.

#### 3. Correct Outdated Provisions and Reflect Current Practice

##### Proposed Changes To Remove Fail Net Settlement Position, Fail Net Short Position and Fail Net Long Position

FICC is proposing to remove references to Fail Net Settlement Position, Fail Net Short Position, and Fail Net Long Position because fails are no longer separately netted, and therefore these defined terms are outdated. Specifically, FICC would remove the defined terms “Fail Net Settlement Position,” “Fail Net Short Position,” and “Fail Net Long Position” from GSD Rule 1.

As such, FICC also proposes to revise the definition of “Fail Deliver Obligation” in GSD Rule 1, which currently states that it means a Deliver Obligation with respect to a Fail Net Short Position; FICC would revise this definition to state that a Fail Deliver Obligation means a Deliver Obligation that does not settle on its original Scheduled Settlement Date. Similarly, FICC would revise the definition of “Fail Receive Obligation” in GSD Rule 1, which currently states that it means a Receive Obligation with respect to a Fail Net Long Position; FICC would revise this definition to state that a Fail Receive Obligation means a Receive Obligation that does not settle on its original Scheduled Settlement Date.

FICC would also revise the definitions of Coupon Adjustment Payment, Credit Coupon Adjustment Payment and Debit Coupon Adjustment Payment in GSD Rule 1 by replacing the phrases “or a Fail Net Settlement Position” and “or a fail Net Settlement Position” with “Fail Deliver Obligation or Fail Receive Obligation.” FICC would also revise the definition of Net Unsettled Positions to remove the phrase “and Fail Net Settlement Positions.”

In GSD Rule 3A, FICC would (i) remove the reference to “Fail Net Settlement Position” in Section 8; (ii) remove the references to Fail Net Settlement Position and replace them with references to Fail Deliver

<sup>6</sup> GSD Rule 1, *supra* note 5.

<sup>7</sup> *Id.*

Obligation and Fail Receive Obligation in Section 7(a)(iii); and (iii) remove the references to Fail Net Settlement Positions because this defined term would be deleted from GSD Rule 1, in Section 18(b).

In GSD Rule 22A, Section 2(b), FICC proposes to remove the reference to Fail Net Settlement Positions as well as replace the phrase “those that arise from Fail Net Settlement Positions” with “Fail Deliver Obligations and Fail Receive Obligations.”

The Fail Mark Adjustment Payment is the mark-to-market on failing obligations. It is calculated as the difference between the last Settlement Value of the obligation that failed to settle and the new Settlement Value of such obligation. For example, if on April 4, there is an obligation to receive, which has a Settlement Value of \$10 (this Settlement Value is based on the price in the system at the end of the day on April 3), and this obligation to receive failed to settle on April 4, then, at the end of the day on April 4, a new Settlement Value for this obligation will be generated based on the price in the system at the end of the day on April 4. In this example, the new Settlement Value that is generated for this obligation at the end of the day on April 4 is \$11 and the Fail Mark Adjustment Payment is \$1 for this obligation. The Fail Mark Adjustment Payment is the difference between the Settlement Value of the obligation based on the price from the end of day (in this example, on April 3) and the new Settlement Value based on the price from the end of day (in this example, on April 4).

FICC is not proposing any changes to how the Fail Mark Adjustment Payment is currently calculated. Rather, FICC is proposing to clarify the definition of “Fail Mark Adjustment Payment” in GSD Rule 1 by removing the phrase “that constitutes a Fail Net Settlement Position” and making other conforming changes because, as described above, fails are no longer separately netted, and therefore this defined term is outdated. Currently, Fail Mark Adjustment Payment means the absolute value of the dollar difference between the Settlement Value of a Fail Deliver Obligation or a Fail Receive Obligation that constitutes all or part of a Fail Net Settlement Position on the current Business Day and the previous Settlement Value of such Fail Deliver Obligation or Fail Receive Obligation on the immediately previous Business Day. FICC would revise this definition to state that Fail Mark Adjustment Payment would mean the absolute value of the dollar difference between the

Deliver Obligation or a Fail Receive Obligation on the current Business Day, and the previous Settlement Value of such Deliver Obligation or Receive Obligation.

In GSD Rule 11, Section 1, FICC also proposes to remove the references to Fail Net Settlement Positions because, as described above, this defined term would be deleted from GSD Rule 1.

Similarly, in GSD Rule 11, Sections 4 and 5, FICC proposes to remove the phrase “or Fail Net Settlement Position, as applicable,” in the first sentence of each section. In addition, in GSD Rule 11, Section 4, FICC proposes to remove the phrase “, including Fail Net Settlement Positions,” in the last sentence, and in GSD Rule 11, Section 5, FICC proposes to remove the phrase “or Fail Net Settlement Position” in the third sentence.

In GSD Rule 11, Section 4, FICC would also add references to Fail Deliver Obligations and Fail Receive Obligations in the first sentence to enhance clarity. The first sentence would state that on each Business Day, for each Eligible Netting Security with a separate CUSIP number, except as otherwise provided in GSD Rule 14 with respect to Forward Trades that comprise one or more Forward Net Settlement Positions, FICC will establish a Net Settlement Position for trades, and Fail Deliver Obligations and Fail Receive Obligations of a Netting Member that have not previously been settled, by comparing the aggregate par value of each Long Transaction and/or Fail Receive Obligation in an Eligible Netting Security by the Netting Member (hereinafter, the “Long Total”) and each Short Transaction and/or Fail Deliver Obligation in an Eligible Netting Security by the Netting Member (hereinafter, the “Short Total”).

Current GSD Rule 11, Section 8 states that on each Business Day, from their Scheduled Date, Fail Net Settlement Positions shall, pursuant to GSD Rule 13, be marked to market, taking into account accrued interest, until the Actual Settlement Date for such Positions. Notwithstanding the above, FICC, in its sole discretion in order to promote an orderly settlement process, may elect to not mark to market, pursuant to GSD Rule 13, a Fail Net Long Position where the Eligible Netting Securities that comprise such Position have been appropriately delivered to FICC pursuant to the GSD Rules and FICC has not re-delivered such Eligible Netting Securities, and as a result, has held them overnight, Fail Deliver Obligations and Fail Receive Obligations shall be netted with any

other Receive Obligations and Deliver Obligations.

In GSD Rule 11, Section 8, FICC would (i) revise the reference from Fail Net Settlement Positions to Fail Deliver Obligations and Fail Receive Obligations in the title of the section, (ii) revise the reference from Fail Net Settlement Positions to Fail Deliver Obligations and Fail Receive Obligations, as applicable, in the first sentence, (iii) revise the reference from Fail Net Long Position to Fail Receive Obligation in the second sentence, (iv) as a conforming change, in the first sentence, revise Positions to Fail Deliver Obligations and Fail Receive Obligations, and (v) as a conforming change, in the second sentence, revise Position to Fail Receive Obligation.

In GSD Rule 12, Section 1, FICC would revise the phrase “a Fail Net Settlement Position” to “either a Fail Deliver Obligation or Fail Receive Obligation, as the context requires.” In GSD Rule 12, Section 4, FICC would revise the title of the section and the references in the section from “Fail Net Settlement Positions” to “Fail Deliver Obligations and Fail Receive Obligations” and from “Fail Net Settlement Position” to “Fail Deliver Obligation and Fail Receive Obligation.” In GSD Rule 12, Section 5, FICC would revise Fail Net Settlement Position to Fail Deliver Obligation.

In GSD Rule 12, Section 1, FICC would also (i) correct the reference from “Netting Member’s Fail Deliver Obligations and Fail Receive Obligations” to “Netting Member’s outstanding Deliver Obligations and outstanding Receive Obligations,” and (ii) correct the reference from “applicable Fail Deliver Obligations and Fail Receive Obligations” to “applicable Deliver Obligations and Receive Obligations.”

In GSD Rule 13, Section 1(a), FICC would remove the phrase “either a Fail Net Settlement Position or.”

In GSD Rule 13, Section 1(f), FICC would (i) revise Fail Net Settlement Position to Fail Deliver Obligation and Fail Receive Obligation, (ii) revise the reference from Fail Net Short Position to Fail Deliver Obligation, and (iii) revise the reference from Fail Net Long Position to Fail Receive Obligation. As such, GSD Rule 13, Section 1(f) would state that with regard to every Fail Deliver Obligation and Fail Receive Obligation on a coupon payment date for the Eligible Netting Securities that comprise such Fail Deliver Obligation and Fail Receive Obligation: (1) if the Member has a Fail Deliver Obligation, it will pay to FICC a Debit Coupon Adjustment Payment, and (2) if the

Member has a Fail Receive Obligation, it will collect from FICC a Credit Coupon Adjustment Payment.

In GSD Rule 13, Section 1(b), FICC would revise the word “every” to “certain” so it would state that with regard to certain Deliver Obligations and Receive Obligations, either pay to FICC a Debit Delivery Differential Adjustment Payment or collect from FICC a Credit Delivery Differential Adjustment Payment. This proposed change would enhance accuracy and reflect current practice because this payment only applies to certain obligations and not every obligation. This proposed change would not impact the rights and obligations of Members.

#### Proposed Changes To Remove References to Open Net Long Position and Open Net Short Position

Although Open Net Long Position and Open Net Short Position are capitalized in the GSD Rules, these terms are not defined in the GSD Rules. As such, FICC proposes to replace the references to Open Net Long Positions and Open Net Short Position or Positions in GSD Rule 11, Section 13, and make other related changes, as further described below.

Specifically, in GSD Rule 11, Section 13, FICC would revise the reference from “an Open Net Long Position” to “a Fail Receive Obligation” and make a conforming change to revise “Allocated Net Long Position” (which is currently defined in the same section) to “Allocated Fail Receive Obligation.” Similarly, FICC would revise the reference from “an Open Net Short Position or Positions” to “a Fail Deliver Obligation or Fail Deliver Obligations” and make a conforming change to revise “Allocated Net Short Position” to “Allocated Fail Deliver Obligation.”

#### Proposed Changes To Remove Submission Size Alternatives

Currently, GSD Rule 5, Section 4 states that FICC shall establish procedures governing the manner in which FICC shall compare Full-Sized Trades to trades submitted in pieces and the order in which such comparison shall occur, and that FICC will inform Members of these procedures by notice prior to their implementation. FICC is proposing to remove this description regarding procedures governing the comparison of Full-Sized Trades to trades submitted in pieces because currently Full-Sized Trades can only be submitted as executed. FICC no longer intends to implement a process to compare Full-Sized Trades to trades submitted in pieces. Therefore, procedures governing the comparison of

Full-Sized Trades to trades submitted in pieces would no longer be applicable.

#### Proposed Changes To Remove Reference to an Additional Fee

GSD Rule 18, Section 2 currently states that if FICC determines that a Netting Member has, without good cause, violated its obligations pursuant to this section, such Netting Member may be, among other things, subject to an additional fee. FICC proposes to remove the reference to an additional fee because this reference is outdated and FICC does not charge an additional fee.

#### Proposed Changes To Update the Definition of “Report”

Currently, the definition of “Report” in GSD Rule 1 means any document, record, or other output prepared by FICC and made available to a Member in any format (including, but not limited to, machine-readable and print image formats) or medium (including, but not limited to, print copy, magnetic tape, and CPU-to-CPU interface formats) that provides information to such Member with regard to the services provided by, or the operations of, FICC. FICC proposes to update the definition of “Report” by stating such output would be available in any format or medium prescribed by FICC, and by removing the parentheticals which contain some descriptions of outdated formats. Specifically, FICC would revise the definition of “Report” to state that it means any document, record, or other output prepared by FICC and made available to a Member in a format or medium prescribed by FICC, that provides information to such Member with regard to the services provided by, or the operations of, FICC.

Similarly, FICC proposes to update GSD Rule 11, Section 10 to remove the examples of the types of formats and mediums that a Report may be provided in, as some of these examples are outdated. The current provision in GSD Rule 11, Section 10 states that a Netting Member is obligated to accept Reports from FICC in any format and in any medium usable by such Member, including, but not limited to, print copy, magnetic tape, and CPU-to-CPU (either real-time or otherwise) media. FICC proposes to revise this description to be more general by stating that a Netting Member is obligated to accept Reports from FICC in at least one of the formats or mediums prescribed by FICC that is usable by the Member.

In addition, FICC proposes to remove the defined term “CPU” from GSD Rule 1.

#### Proposed Changes To Remove References to FICC Facilities and Offices

GSD Rule 31 describes distribution facilities that can be established by FICC. Specifically, GSD Rule 31 states that if deemed necessary, FICC will establish distribution facilities from time to time to be used by Members for the distribution of papers, documents and other materials incidental to the ordinary course of business. It also states that FICC assumes no responsibility for the form or control of any papers, documents or other material (other than items prepared by it) placed in boxes in its distribution facilities assigned to each Member or handled by FICC and that FICC does not assume any responsibility for any improper or unauthorized removal from such boxes or from FICC’s facilities of any such papers, documents or other materials. It also states that each Member must send an authorized representative to FICC’s distribution facilities to pick up material made available by FICC and that FICC’s distribution facilities will remain open on Business Days during the hours specified by FICC and that FICC will admit authorized persons holding valid passes at other hours.

Because GSD Rule 31 is outdated as there are no such distribution facilities, FICC proposes to delete GSD Rule 31 and replace the description to state that this Rule is reserved for future use, as well as revise the title to “Reserved.”

FICC also proposes to remove Article V, Rule 13 of the EPN Rules. FICC would delete the current description and revise the title of this Rule to state “Reserved for Future Use.” This Rule currently states that reports will be available to, and business with FICC shall be transacted by, EPN Users at FICC’s offices in New York, New York and also at such other locations as FICC from time to time may designate. It also states that each EPN User shall make arrangement satisfactory to FICC for receipt of reports and the transaction of other business with FICC at one or more of such locations. FICC is proposing to remove this description because it is outdated as reports and the transaction of other business with FICC by EPN Users occur through various electronic means, such as machine-readable output, rather than in a physical location.

#### Proposed Changes to GSD Rule 11, Section 5 To Reflect Current Practice

GSD Rule 11, Section 5 states that a single Deliver Obligation may be bound by FICC to more than one Receive Obligation, and vice versa. FICC proposes to remove this description

because it is inaccurate and is not supported by the current system. Specifically, because FICC must maintain a matched book of obligations, there cannot be a single Deliver Obligation that is bound to more than one Receive Obligation and vice versa. The current system only supports a single Deliver Obligation being bound to one Receive Obligation.

#### Proposed Changes To Revise Provisions Regarding Network Fees

Beginning in 2003, FICC periodically informed Members of the need to migrate their telecommunications connectivity from the Securities Industry Automation Corporation ("SIAC")'s legacy-based Broker and Access networks to DTCC's<sup>8</sup> Securely Managed and Reliable Technology ("SMART") system or SIAC's Secure Financial Transaction Infrastructure ("SFTI") networks. The SMART system is DTCC's centralized, end-to-end managed communications infrastructure, which provides connectivity support for all post-trade clearance and settlement processing. A related fee was implemented because while most FICC Members complied with the stated migration requirements, several Members continued to access FICC through legacy networks, which was imposing significant unnecessary costs on FICC for continued support of these systems.<sup>9</sup> Today, there are no longer any such legacy network connections, and therefore FICC is proposing to remove this fee from the Rules.

Specifically, in (a) Section III of the Fee Structure in the GSD Rules, (b) the Schedule of Charges in the EPN Rules, (c) the Schedule of Charges Broker Account Group in the MBSD Rules, and (d) the Schedule of Charges Dealer Account Group in the MBSD Rules, FICC would delete the fee for failure to migrate from legacy networks to SMART and/or SFTI. The Rules currently state that the entire cost of supporting the legacy network connections will be allocated among remaining users pro rata. FICC would also make a related change to revise the title of Section III of the Fee Structure in the GSD Rules to state that it is reserved.

In addition, in Section X of the Fee Structure in the GSD Rules, FICC would clarify that FICC will charge network fees related to SMART connectivity. Similarly, in (a) the Schedule of Charges in the EPN Rules, (b) the Schedule of

Charges Broker Account Group in the MBSD Rules, and (c) the Schedule of Charges Dealer Account Group in the MBSD Rules, FICC would revise the title of the "Communication Fees" section to "Administrative Fees" and add a description stating that FICC will charge network fees related to SMART connectivity. Fees related to SMART connectivity are currently charged to Members if Members select SMART network as their means of connectivity to FICC. FICC believes it would enhance clarity to specifically describe this administrative fee that is currently charged to Members in the Rules and, as such, FICC does not believe this proposed clarification would impact the rights and obligations of Members.

#### Proposed Changes To Revise Description of Substitution of New Securities Collateral

FICC proposes to clarify the description regarding substitution of New Securities Collateral in GSD Rule 18, Section 3(f) to reflect current practice. FICC would add that upon receipt of a request for such substitution where the information regarding the New Securities Collateral has not been provided to FICC, a Generic CUSIP Number would be applied to the substitution until the information regarding the New Securities Collateral has been provided. FICC also proposes to clarify the second sentence of GSD Rule 18, Section 3(f) by revising it to state that until such time as FICC has been notified of the substitution of the New Securities Collateral to be substituted, FICC shall base margining with respect to the New Securities Collateral on the applicable Generic CUSIP Number using the methodology that is used for securities whose volatility is less amenable to statistical analysis set forth in Section 1b of GSD Rule 4. FICC believes these proposed changes would enhance clarity as they describe current practice. Specifically, if a Member elects to substitute existing securities collateral but does not know at the time of the notification to FICC what the New Securities Collateral is, the Member is allowed to enter the notification in the system, with the existing securities collateral, and FICC will use a Generic CUSIP Number as placeholder for the New Securities Collateral. It is the expectation that the Member will then (on same Business Day and within established timeframes) update the notification with the specific CUSIP Number and other substitution-related details.

GSD Rule 18, Section 3(f) currently states that upon receipt of a request for such substitution and until information

regarding New Securities Collateral is provided to FICC for purposes of calculating the Required Fund Deposit of the Repo Party, FICC shall assign to the transaction a Contract Value which is 150 percent of the Contract Value of the original securities collateral. FICC implemented this as one of the measures to address the risk presented to it by the failure of a party to submit in a timely manner information regarding replacement collateral to FICC.<sup>10</sup> In the 2005 Filing, FICC increased the clearing fund calculation of the repo dealer and allowed margining with respect to replacement collateral based on applicable Generic CUSIP Numbers only, and FICC assigned a value of 150 percent of the contract value of the original securities collateral to a repo transaction where FICC has not received information regarding the replacement collateral.<sup>11</sup> The application of the 150 percent for clearing fund purposes applied to both the receive/deliver and repo volatility components of the clearing fund calculation. FICC also applied the highest applicable margin factor in its Rules in connection with the repo transaction.<sup>12</sup> In 2006, FICC replaced the current clearing fund methodology used at GSD, which used haircuts and offsets, with a yield-driven value-at-risk ("VaR") methodology.<sup>13</sup> The 2006 Filing states that this VaR methodology will necessitate a change to FICC's risk management consequences of the late allocation of repo substitution collateral because offset classes and margin rates will no longer be present in the revised GSD Rules.<sup>14</sup> The 2006 Filing also states that FICC will base margining for such Generic CUSIP Number on the same calculation as that used for securities whose volatility is less amenable to statistical analysis.<sup>15</sup> In 2007, FICC added language to GSD Rule 18 (the rule that covers repo collateral substitution) to refer to the margining approach that was described in the narrative of the 2006 Filing, so that Members reviewing the repo substitution rule (GSD Rule 18) will have a point of reference.<sup>16</sup> As such, FICC should have removed the language stating that "[u]pon receipt of

<sup>10</sup> Securities Exchange Act Release No. 53534 (March 21, 2006), 71 FR 15781 (March 29, 2006) (SR-FICC-2005-18) ("2005 Filing").

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> Securities Exchange Act Release No. 55217 (January 31, 2007), 72 FR 5774 (February 7, 2007) (SR-FICC-2006-16) ("2006 Filing").

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> Securities Exchange Act Release No. 55616 (April 11, 2007), 72 FR 19561 (April 18, 2007) (SR-FICC-2007-03).

<sup>8</sup> The Depository Trust & Clearing Corporation ("DTCC") is FICC's parent company.

<sup>9</sup> Securities Exchange Act Release No. 52655 (October 24, 2005), 70 FR 62154 (October 28, 2005) (SR-FICC-2005-15) ("SMART Filing").

a request for such substitution and until information regarding the New Securities Collateral is provided to FICC for purposes of calculating the Required Fund Deposit of the Repo Party, FICC shall assign to the transaction a Contract Value which is 150 percent of the Contract Value of the original securities collateral<sup>17</sup> in the 2006 Filing, which implemented the VaR methodology. FICC is proposing to remove the first sentence of GSD Rule 18, Section 3(f) because this sentence should have been removed in the 2006 Filing and does not reflect current practice.

#### Proposed Changes Regarding Requirements Applicable to Certain Repo Brokers With Segregated Repo Accounts

GSD Rule 19, Section 2 describes the responsibilities of Repo Brokers<sup>17</sup> and the conditions that have to be met in order for a Repo Broker to submit to FICC data on a Brokered Repo Transaction. Currently, it states that a Repo Broker may submit to FICC data on a Brokered Repo Transaction only upon written agreement, and compliance, with certain conditions. FICC proposes to revise “may” to “shall” to enhance accuracy and consistency as well as reflect current practice because Repo Brokers must submit this data to FICC, and Repo Brokers are doing this today. Furthermore, this proposed change would enhance accuracy and consistency because GSD Rule 3, Section 8(e) states that an Inter-Dealer Broker Netting Member shall limit its business to acting exclusively as a Broker and conduct all of its business in Repo Transactions with Netting Members. FICC does not believe this proposed change would impact the rights and obligations of Members because GSD Rule 3, Section 8(e) states that an Inter-Dealer Broker Netting Member shall conduct all of its business in Repo Transactions with Netting Members, and this proposed change would align GSD Rule 19, Section 2 with this provision.

GSD Rule 19, Section 2 lists the following conditions that have to be met in order for a Repo Broker to submit to FICC data on a Brokered Repo Transaction: (a) Repo Broker has established a separate account, with a separate Fedwire address, at a clearing bank that will be used exclusively for the settlement by the parties to the transaction of the Start Leg, and (b) the Repo Broker has granted the necessary permissions to allow this account to be

subject to review by FICC. FICC proposes to add language that was inadvertently omitted. Specifically, FICC would add language stating that these requirements will not apply to Repo Brokers with Segregated Repo Accounts that elect to settle their Same-Day Settling Trades with FICC. In 2021, FICC began to settle the Start Leg of Same-Day Settling Trades.<sup>18</sup> Prior to this, the Start Leg of Same-Day Settling Trades was settled outside of FICC, and a separate account was needed for the settlement of the Start Leg. Therefore, if a Repo Broker has opted to settle Same-Day Settling Trades, then such Repo Broker would no longer need to maintain a separate settlement account for the Start Leg of the Same-Day Settling Trade because FICC settles the Start Leg and End Leg. As such, FICC believes that this proposed change to correct an inadvertent omission would not have any impact on the rights and obligations of Members.

#### Proposed Changes To Update Description of Trade Date Information

Currently, GSD Rule 10, Section 5 states that if the data on a trade do not compare because information submitted regarding trade date does not match, FICC may, in its discretion, compare the trade based on a presumption that the earlier trade date submitted is the correct trade date. FICC would correct this provision to clarify that FICC does not have discretion.

Specifically, FICC would state that if the data on a trade do not compare because information submitted regarding the trade date does not match, FICC shall compare the trade based on a presumption that the earlier trade date submitted is the correct trade date, because FICC does not have discretion as the system is not coded in a way to provide FICC with such discretion. FICC would also remove the second sentence in the first paragraph in GSD Rule 10, Section 5 that describes what occurs when exercising this discretion.

In addition, in GSD Rule 10, Section 5, FICC would clarify that notwithstanding the first paragraph in this section, if the First Member submits a side of a buy/sell transaction to FICC, and the Second Member as a contra-party submits more than one side of a buy/sell transaction with similar trade data to FICC where the trade date does not match, FICC will compare the side of the buy/sell transaction submitted by the First Member with a side of a buy/sell transaction submitted by the Second

Member where the trade date on the Second Member's buy/sell transaction is closest in date range to the trade date submitted by the First Member. This proposed change would enhance accuracy with respect to how a side of a buy/sell transaction is compared when the contra-party submits multiple sides of a buy/sell transaction and the trade dates do not match.

FICC would also add that the enhanced comparison process referenced in GSD Rule 10, Section 5 does not apply to Repo Transactions when this process is performed at the end of the day. Currently, GSD Rule 10, Section 5 states that this section does not apply to Repo Transactions. FICC believes this proposed change would enhance clarity with respect to the current process.

#### Proposed Changes to Regarding FICC's Authority To Act on Behalf of a GCF-Authorized Inter-Dealer Broker

FICC proposes to remove Section 6 from GSD Rule 20. Currently, this section states that if, as the result of a data submission error, a GCF-Authorized Inter-Dealer Broker has a GCF Net Settlement Position, FICC will have the authority to borrow cash and/or securities and/or enter into repurchase transactions for cash or securities with a Netting Member or Clearing Agent Bank to fulfill the obligations of such GCF-Authorized Inter-Dealer Broker attendant to the incurring of such Position. This section also states that if FICC takes such action, such GCF-Authorized Inter-Dealer Broker will be liable to it for any costs incurred. FICC proposes to delete Section 6 of GSD Rule 20 because it is outdated and the system no longer allows for FICC to act on the GCF-Authorized Inter-Dealer's behalf if the GCF-Authorized Inter-Dealer incurs a Position.

#### Proposed Changes to GSD Rule 11, Section 5 To Reflect Current Practice

Currently, GSD Rule 11, Section 5 states that a single Deliver Obligation may be bound by FICC to more than one Receive Obligation, and vice versa. FICC proposes to remove this sentence from GSD Rule 11, Section 5 because it does not reflect the current netting system. Currently, all Deliver Obligations and Receive Obligations must be equal and opposite out of the net.

#### 4. Correct References to Incorrect Fees

Section I.C of the Fee Structure of the GSD Rules states that the charge to a Member for the entry of a request by such Member to modify or cancel a side of a GCF Repo Transaction or a CCIT

<sup>17</sup> The term “Repo Broker” is defined in GSD Rule 1, *supra* note 5.

<sup>18</sup> Securities Exchange Act Release No. 90948 (January 19, 2021), 86 FR 7159 (January 26, 2021) (SR-FICC-2020-015).

Transaction is \$0.05 per 50 million of par value. This fee is incorrect and the system does not contain this fee. As such, FICC proposes to remove this fee from Section I.C of the Fee Structure.

Section X of the Fee Structure of the GSD Rules states that on any Business Day, a Repo Broker will be assessed an administrative fee of \$50 for each instance where FICC determines to finance a Debit Forward Mark Adjustment Payment in excess of the Cap, as set forth in Section 4 of GSD Rule 19. It also states that this administrative fee will be in addition to any costs incurred by FICC in arranging the financing for which the Repo Broker maintains responsibility and must reimburse FICC pursuant to that section. FICC proposes to remove this administrative fee and the related descriptions because FICC believes it would be too administratively burdensome to charge this small administrative fee.

#### 5. Include Eligibility Requirements for Settling Same-Day Settling Trades

GSD Rule 12, Section 11(ii) describes the requirements that a Same-Day Settling Trade would have to meet to be eligible for settlement with FICC. Currently, the requirements are as follows: (a) the Same-Day Settling Trade is a Compared Trade; (b) the data on the Same-Day Settling Trade are listed on a Report that has been made available to Netting Members; (c) (i) the End Leg of the Same-Day Settling Trade means the eligibility requirements for netting in GSD Rule 11 or (ii) the Repo Transaction is an As-Of Trade and its End Leg settles on the current Business Day or thereafter; and (d) the underlying securities are Eligible Netting Securities. FICC proposes to add a requirement regarding submission size requirements to the current list of requirements described above. Specifically, FICC would add that regarding the form and manner in which Same-Day Settling Trades are submitted to FICC, the Same-Day Settling Trade must be submitted in equal and identical size and shapes between Netting Members. FICC would also add that for avoidance of doubt, "identical size and shapes" means that each counterparty must submit trade data reflecting equal par amounts and number of sides. FICC currently requires that Same-Day Settling Trades are submitted in equal and identical size and shapes between Netting Members. As such, FICC believes that this proposed change to expressly describe what must be submitted in terms of the form and manner in which Same-Day Settling Trades are submitted to FICC would enhance clarity with respect to

the requirements for eligibility for settlement for Same-Day Settling Trades. Furthermore, this proposed change describes how Members currently process transactions. As such, because this proposed change reflects current practice, FICC does not believe that this proposed change will impact Members.

In addition, GSD Rule 12, Section 11(ii) states that notwithstanding the above, FICC may, in its sole discretion, exclude any Same-Day Settling Trade or Same-Day Settling Trades from the Comparison System, by Netting Member or by Eligible Netting Security. FICC would add that this includes cancelling any Same-Day Settling Trade that does not meet the eligibility requirements set forth in GSD Rule 12.

#### 6. Correct Schedule of Timeframes

FICC proposes to make certain corrections to the Schedule of Timeframes in the GSD Rules, including adding two timeframes and revising a current timeframe. Specifically, FICC proposes to add a 7:00 a.m. timeframe and a 7:05 a.m. timeframe. FICC also proposes to revise the 10:30 p.m. to 2:00 a.m. timeframe in the Schedule of Timeframes in the GSD Rules.

The 7:00 a.m. timeframe in the Schedule of Timeframes would be described as the timeframe by which FICC begins processing trade data for the current Business Day. This would align with the Schedule of GCF Repo Timeframes, which currently lists a 7:00 a.m. timeframe, and is described as the timeframe when FICC begins accepting data on GCF Repo Transactions. As such, FICC believes it would enhance clarity and consistency to have both schedules describe the time by which FICC begins processing trade data. FICC believes these proposed changes would help enhance Members' understanding of when FICC begins processing trade data and reflects current practice. As such, FICC does not believe this proposed change would have an impact on the rights and obligations of Members.

Additionally, FICC proposes to add a 7:05 a.m. timeframe, which would be described as the time by which FICC's margining output is made available to Netting Members.

FICC would also update the reference to margining output that is in the current 10:30 p.m. to 2:00 a.m. timeframe. Currently, the description of this timeframe states this is the time during which FICC's comparison, netting, settlement and margining output is made available to Members. FICC would revise the description to state this is the time by which FICC's

comparison, netting, and settlement output is made available to Members. FICC does not believe these proposed changes would impact the rights and obligations of Members because these proposed changes to the Schedule of Timeframes reflect current practice and, therefore, would enhance accuracy and clarity.

In addition, FICC would revise the current 10:30 p.m. to 2:00 a.m. timeframe to only state 2:00 a.m. to be consistent with the other timeframes in the Schedule of Timeframes, which are not listed as ranges. FICC believes this proposed change would enhance consistency, and thereby enhance accuracy, and as such, would not impact the rights and obligations of Members.

FICC would also remove the phrase "for Netting Members" in the 4:30 p.m. timeframe to be consistent with the 10:00 a.m. timeframe. Both these timeframes describe when funds-only settlement debits and credits are executed via the Federal Reserve's National Settlement Service. FICC does not believe this proposed change to enhance consistency and clarity would impact the rights and obligations of Members.

#### 7. Correct Schedule of GCF Repo Timeframes

FICC also proposes to make certain corrections to the Schedule of GCF Repo Timeframes in the GSD Rules. Specifically, FICC would revise the 7:00 a.m. timeframe, and remove the 10:00 a.m., 10:30 a.m., and 1:00 p.m. timeframes because the 10:00 a.m., 10:30 a.m. and 1:00 p.m. timeframes are outdated.

Currently, the 7:00 a.m. timeframe states that FICC begins to accept from GCF Authorized Inter-Dealer Brokers data on GCF Repo Transactions, and GCF Authorized Inter-Dealer Brokers must submit data on a GCF Repo Transaction that they are a party to within five minutes of executions of such transaction. FICC would revise this 7:00 a.m. timeframe to state that Netting Members must begin affirming or cancelling GCF Repo Transactions upon receipt of data on such GCF Repo Transactions from FICC.

Additionally, FICC proposes to remove the 10:00 a.m. 10:30 a.m. and 1:00 p.m. timeframes. The 10:00 a.m. timeframe states that this is the time Netting Members must begin affirming or disaffirming GCF Repo Transactions within one half hour of receipt of data on such transactions from FICC. The 10:30 a.m. timeframe currently states that this is the deadline for dealer affirmation or disaffirmation of all GCF



Repo Transactions that they are a party to that are executed prior to 10 a.m. The 1:00 p.m. timeframe currently states that for GCF Repo Transactions executed after 1:00 p.m., Netting Members must affirm or disaffirm GCF Repo Transactions within ten minutes of their receipt of data on such transactions from FICC.

FICC believes these proposed changes to remove outdated timeframes and clarify the 7:00 a.m. timeframe described above would enhance consistency and accuracy, and thereby make it clear that Members must begin affirming or cancelling their trades when the system opens at 7:00 a.m. FICC does not believe these proposed changes would impact the rights and obligations of Members because these proposed changes would more accurately describe current practice.

#### 8. Correct References From “Disaffirm” To “Cancel”

FICC proposes to revise the references from disaffirm to cancel in GSD Rule 6C, Section 12. This section describes the affirmation, cancellation and modification requirements for Data on GCF Repo Transactions.

FICC would also revise the references from “disaffirmation” to “cancellation” in the 3:00 p.m. timeframe in the Schedule of GCF Repo Timeframes in the GSD Rules to be consistent with the proposed changes to the 7:00 a.m. timeframe described above. The 3:00 p.m. timeframe currently states this is the cutoff for GCF Repo Transaction data submission from GCF Authorized Inter-Dealer Brokers to FICC including dealer trade affirmation or disaffirmation—all unaffirmed trades automatically affirmed by FICC.

#### 9. Correct Description of Acknowledgement and Refusal Messages

FICC proposes to make certain corrections to GSD Rule 13, Section 5(h) to enhance accuracy. Currently, GSD Rule 13, Section 5(h) states that a Funds-Only Settling Bank that cannot send an acknowledgment or refusal message to FICC due to an operational issue may telephone its instructions to the Settlement Agent. FICC proposes to revise GSD Rule 13, Section 5(h) to correct that a Funds-Only Settling Bank that cannot send an acknowledgment or refusal message to the Settlement Agent due to an operational issue may instruct the Settlement Agent to act on its behalf. FICC believes these proposed changes would clarify that the acknowledgement or refusal message is sent to the Settlement Agent (rather than FICC) and that replacing “telephone its

instructions to” with “instruct” would clarify that the Funds-Only Settling Bank may telephone its instructions or provide its instructions in another way.

#### 10. Correct Definition of “Repo Start Date”

FICC proposes to correct the definition of Repo Start Date in GSD Rule 1 to state that it means the settlement date for the Start Leg of a Repo Transaction. The current definition states that it means the settlement date for the start date of a Repo Transaction.

#### 11. Make Corrections to Certain GSD Schedules

In the (i) Schedule of Required and Accepted Data Submission Items for a Substitution and (ii) Schedule of Required and Accepted Data Submission Items for New Securities Collateral in the GSD Rules, FICC proposes to add “or Generic CUSIP Number” to Item 1 in each schedule, which was inadvertently omitted. Currently, Item 1 in each schedule only lists Specific CUSIP Number for the Existing Securities Collateral or New Securities Collateral, as applicable. However, FICC must receive either the Specific CUSIP Number or Generic CUSIP Number for the Existing Securities Collateral or New Securities Collateral, as applicable, in order to process a substitution of Existing Securities Collateral or New Securities Collateral, as applicable.

In the Schedule of Required and Other Data Submission Items for GCF Repo Transactions in the GSD Rules, FICC proposes to correct the reference from “Trade Reference Number” to “Broker Reference Number” to enhance accuracy. Currently, Broker Reference Number in this schedule is described as the GCF-Authorized Inter-Dealer Broker’s unique reference number for the GCF Repo Transaction. As such, FICC believes it would enhance accuracy and clarity to refer to this item as the Broker Reference Number rather than the Trade Reference Number.

#### B. Clarifications

FICC is proposing to make a number of clarifications to the Rules, as described in greater detail below. FICC believes that each of these proposed changes would improve the clarity of the Rules, for the reasons described below, and does not believe that that any of the proposed clarifications would impact the rights and obligations of Members.

#### 1. Clarify Calculation of the Funds-Only Settlement Amount

In GSD Rule 13, Section 2, FICC proposes to make certain clarifications to the calculation of the Funds-Only Settlement Amounts to describe the current calculation of the Funds-Only Settlement Amounts more accurately. For GSD, funds-only settlement occurs twice on a Business Day, at 10:00 a.m. and 4:30 p.m., and therefore, the Funds-Only Settlement Amount is calculated twice on a Business Day. Specifically, the intraday Funds-Only Settlement Amount is calculated and then collected or paid intraday on the same Business Day. The Funds-Only Settlement Amount that is collected or paid at the start of day on a Business Day is calculated at the end of the previous Business Day. For example, the Funds-Only Settlement Amount that is collected or paid at 10:00 a.m. on March 2, 2023 is calculated at the end of day on March 1, 2023. In addition, these two Funds-Only Settlement Amounts are calculated using different components, as further described below.

Currently, GSD Rule 13, Section 2 states that the Funds-Only Settlement Amount of each Netting Member shall be determined by calculating the net total, for a particular Business Day of the following and then lists the components that are part of the calculation of this amount. FICC proposes to revise the reference from “for a particular Business Day” to “for a particular cycle, if applicable,” to enhance clarity and accuracy. For GSD, as described above, currently, funds-only settlement occurs twice on a Business Day and therefore, there are two cycles during the Business Day during which the Funds-Only Settlement Amount is calculated. As such, FICC believes it is more precise and accurate to refer to a particular cycle in the description of the calculation of the Funds-Only Settlement Amount and as this proposed change would reflect the current calculation of the Funds-Only Settlement Amounts, FICC does not believe this proposed change would impact the rights or obligations of Members.

In addition, in GSD Rule 13, Section 2, FICC proposes to add “the return of the previous cycle’s Net Forward Mark Adjustment Payment” as a component in the calculation of the Funds-Only Settlement Amount of each Netting Member, and this would be added as subsection (d). The Net Forward Mark Adjustment Payment is currently listed as a component of the Funds-Only Settlement Amount, but FICC believes it



would enhance clarity to also list the return of the previous cycle's Net Forward Mark Adjustment Payment in the description of the calculation of the Funds-Only Settlement Amount.<sup>19</sup> FICC believes this proposed change would be a more accurate description of the current process. During each cycle, FICC calculates a new Net Forward Mark Adjustment Payment and so, also returns the previous cycle's Net Forward Mark Adjustment Payment. As described above, funds-only settlement occurs twice a day at GSD, so the cycle at 10:00 a.m. may include the return of the previous cycle's Net Forward Mark Adjustment Payment (the previous cycle would be the cycle that occurred at 4:30 p.m. the previous Business Day). FICC believes these proposed changes enhance clarity by more accurately describing the current process and therefore, would not impact the rights or obligations of Members.

Similarly, in GSD Rule 13, Section 2, FICC proposes to revise the first sentence of the third paragraph to refer to a particular cycle rather than Business Day and to add the phrase "if applicable." In addition, FICC proposes to clarify the components of the Funds-Only Settlement Amount that are currently calculated and collected or paid intraday by replacing the current description with a list of the specific components, which are the Net Forward Mark Adjustment Payment, the return of the previous cycle's Net Forward Mark Adjustment Payment and the Miscellaneous Adjustment Amount. The current description states that FICC will determine an intraday Funds-Only Settlement Amount by calculating a net total, for a particular Business Day, of certain of the amounts specified in Section 1 of GSD Rule 13 as FICC shall announce to Members from time to time. The revised description would state that FICC will determine an intraday Funds-Only Settlement Amount by calculating a net total, for a particular cycle, if applicable, of the following: (a) the Net Forward Mark Adjustment Payment, (b) the return of the previous cycle's Net Forward Mark Adjustment Payment, and (c) Miscellaneous Adjustment Amount. FICC believes these proposed changes to this paragraph in GSD Rule 13, Section 12 would enhance clarity with respect to the intraday Funds-Only Settlement Amount. Because this proposed change would reflect the current calculation of the Funds-Only Settlement Amount that is calculated and collected or paid intraday, FICC does not believe this

proposed change would impact the rights or obligations of Members.

FICC would also clarify that certain components of the Funds-Only Settlement Amount are only applicable to the end of the day cycle, and some are only applicable to the intraday cycle. FICC would clarify that the components of the Funds-Only Settlement Amount in the second paragraph of GSD Rule 13, Section 2, are calculated at the end of the day and then collected or paid start of day, as applicable, on the following Business Day, are the amounts listed in (a) through (p) of this paragraph. Similarly, with respect to the third paragraph of GSD Rule 13, Section 2, FICC would clarify that the components of the Funds-Only Settlement Amount that are calculated and collected or paid intraday, as applicable, are the amounts listed in (a) through (c) of this paragraph. Because these proposed changes would reflect the current calculation of the Funds-Only Settlement Amounts, FICC does not believe these proposed changes would impact the rights or obligations of Members.

## 2. Clarify Definition of "Account"

Proposed Changes To Clarify Account, Broker Account, and Dealer Account, and Netting Member Account

FICC proposes to make certain clarifications to the definition of "Account" in GSD Rule 1, as further described below. FICC believes the proposed changes described below would clarify the various types of Accounts that currently exist at FICC.

The current definition of "Account" in GSD Rule 1 means any account maintained by FICC on behalf of a Netting Member. FICC proposes to revise the definition of "Account" to state that it means any account maintained by a Member. FICC believes these proposed changes to the definition of "Account" would enhance consistency, and thereby also enhance clarity. Specifically, these proposed changes would revise the definition of "Account" to be more consistent with the definitions for other types of Accounts, such as a Broker Account and a Sponsoring Member Omnibus Account.

As such, because FICC is proposing to revise the definition of "Account" to mean any account maintained by the Member, as described above, FICC would also add a definition for "Netting Member Account" in GSD Rule 1 to specifically describe an account maintained by FICC on behalf of a Netting Member. FICC proposes to add

that Netting Member Account would mean an Account maintained by a Netting Member that contains the activity of the Netting Member that is submitted to FICC. FICC would also add that a Netting Member may elect to establish one or more Netting Member Accounts.

In addition, the current definition of "Account" in GSD Rule 1 includes definitions for "Broker Account" and "Dealer Account" and also describes that with respect to an applicable Cross-Margining Agreement, "Account" may include a Market Professional Cross-Margining Account. FICC proposes to move the definitions of "Broker Account" and "Dealer Account" from the definition of "Account" so that each of these terms are listed separately and in alphabetical order in GSD Rule 1. "Broker Account" would mean an Account maintained by an Inter-Dealer Broker Netting Member or a Segregated Repo Account of a Non-IDB Repo Broker. "Dealer Account" would mean an Account maintained by a Netting Member that is not a Broker Account. FICC believes that separately listing the defined terms "Broker Account" and "Dealer Account" in GSD Rule 1 rather than within another defined term in GSD Rule 1 would enhance readability and clarity.

FICC believes the above-described proposed changes in the GSD Rules would enhance clarity with respect to the various types of Accounts that currently exist. Because these are clarifications of the descriptions of the current types of Accounts, FICC does not believe that the above-described proposed changes would impact the rights and obligations of Members.

Proposed Changes To Capitalize References to Account, Accounts, and Account(s)

FICC would capitalize the references to account, accounts, and account(s), as applicable, in the GSD Rules, including, for example, (1) in the definitions of "Market Professional Cross-Margining Account", "MLA Excess Amount," and "Segregated Repo Account" in GSD Rule 1; (2) GSD Rule 13, Section 5(d); (3) GSD Rule 3, Sections 11(a), (c), (e), (f); (4) GSD Rule 3A, Sections 10(b) and 11; (5) GSD Rule 19, Section 4; and (6) Sections V and VII of the Fee Structure of the GSD Rules.

FICC believes it would enhance clarity and consistency to use the defined term "Account" by capitalizing the current references, as described above. Because these are clarifications of the descriptions of the current types of Accounts, FICC does not believe that the above-described proposed changes

<sup>19</sup> "Net Forward Mark Adjustment Payment" is defined in GSD Rule 1, *supra* note 5.

would impact the rights and obligations of Members.

#### Proposed Changes To Revise References to Netting Member Account

Because FICC would add a definition for “Netting Member Account,” FICC proposes to make the following changes:

- In GSD Rule 3, Sections 11(b) and (d), FICC proposes to revise “netting accounts” to “Netting Member Accounts.”

- In GSD Rule 3A, Sections 2(h), 10(b), 11 and 12, FICC proposes to revise “Netting System accounts” to “Netting Member Accounts.”

- In GSD Rule 3A, Section 18, FICC proposes to revise “Netting System Account(s)” to “Netting Member Account(s).”

- In GSD Rule 3A, Section 6(c), FICC proposes to revise “netting account” to “Netting Member Account.”

FICC believes revising these references to the new defined term “Netting Member Account” would enhance clarity and consistency with respect to the current references in the GSD Rules that describe this type of account. As such, FICC does not believe that the above-described proposed changes would impact the rights and obligations of Members.

FICC also proposes to revise the reference from “participant account” to “Account” in GSD Rule 19, Section 2.

#### 3. Clarify Definition of “Transactions”

FICC proposes to clarify the definition of Transactions in GSD Rule 1 by revising a reference from Direct Transactions to Bilateral Transactions. FICC would also remove the defined term “Direct Transactions” from GSD Rule 1. Currently, “Transactions” means Brokered Transactions and Direct Transactions. In addition, “Direct Transactions” means any transaction, including a Repo Transaction, calling for the delivery of an Eligible Netting Security or the posting of cash or an Eligible Netting Security as collateral, the data on which has been submitted to FICC by Members, that is not a Brokered Transaction.

FICC would add a definition for Bilateral Transactions in GSD Rule 1 to enhance clarity. Bilateral Transactions would mean any transaction, including a Repo Transaction, the data on which has been submitted to FICC by two Members, and is not a Brokered Transaction.

FICC believes the above-described proposed changes to replace the term “Direct Transactions” to the more descriptive term “Bilateral Transactions” and to simply the definition of “Bilateral Transactions”

would enhance clarity. Furthermore, FICC does not believe the above-described proposed changes would impact the rights and obligations of Members because these are the current types of Transactions that are submitted to FICC.

#### 4. Add References to CCIT Transactions

In the second to last sentence of the definition of End Leg in GSD Rule 1, FICC proposes to revise the reference from transaction to GCF Repo Transaction or CCIT Transaction, as applicable. In addition, in the definition of GCF Transaction Adjustment Payment, FICC proposes to revise the reference from transactions to GCF Repo Transactions and CCIT Transactions, as applicable.

FICC believes replacing the word “transaction” with the defined terms in the above-described definitions would enhance clarity by providing consistency and specificity with respect to the transactions that are being referenced in these definitions. Furthermore, these definitions currently include a reference to GCF Repo Transactions and CCIT Transactions. As such, FICC does not believe that these proposed changes to enhance clarity would impact the rights and obligations of the Members.

#### 5. Revise GSD Rule 18, Sections 2 and 3 To Enhance Clarity

In GSD Rule 18, Section 2, FICC proposes to clarify that each Netting Member that has requested to add the repo netting service operated by FICC must submit to FICC, or to either another Registered Clearing Agency or 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. Currently, GSD Rule 18, Section 2 states that each Netting Member that has requested of FICC that it provide its Netting System services for such Member’s Repo Transaction data submissions must submit to FICC, or to either another Registered Clearing Agency or 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. FICC believes this proposed change would enhance clarity and accuracy because it is when Netting Members request to add the repo netting service operated by FICC that they are required to submit to FICC or another Registered Clearing Agency or Clearing Agency that has been exempted from registration as a Clearing Agency by the SEC, for comparison and netting, the data on all of its Repo

Transactions. Furthermore, the repo netting service operated by FICC and the Netting System services for such Member’s Repo Transaction data submissions are different ways of describing the same service provided by FICC. As such, FICC does not believe that these proposed clarifications would impact the rights and obligations of Members.

In addition, in GSD Rule 18, Section 2, the last sentence of the first paragraph and the sixth paragraph both describe collateral substitutions pertaining to Repo Transactions and are duplicative. Specifically, both sentences state that all collateral substitutions pertaining to Repo Transactions must be performed through FICC, and the requisite collateral substitution requests must be submitted to FICC in accordance with the requirements, procedures and timeframes established by FICC from time to time. As such, FICC proposes to remove this description from GSD Rule 18, Section 2 and add this description to GSD Rule 18, Section 3 because GSD Rule 18, Section 3 contains provisions related to collateral substitutions. FICC believes these proposed changes would enhance clarity and would not impact the rights and obligations of Members.

#### 6. Clarify Descriptions of Novation

Proposed Changes To Revise Defined Term “Novation” To Include Uses of “Novate”

In GSD Rule 1, FICC proposes to revise the defined term “Novation” to “Novation or Novate” and to add that the term “Novate” shall have a corollary meaning. Novation is currently defined 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 Section 8 of GSD Rule 5. FICC believes this proposed change to add Novate to the current definition of Novation and specify that “Novate” has a corollary meaning would enhance clarity as Novation and Novate are both currently used in the GSD Rules to describe 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. As such, FICC believes this added specificity would enhance clarity and would not impact the rights and obligations of Members.

FICC also proposes to capitalize the references to novate and novated in GSD Rule 3A, Sections 2(i), 7(a), 7(b), 14(c), 16(b) and 18(e); GSD Rule 3B, Section 14(b); GSD Rule 5, Section 8(a), 8(b),

and 8(d); GSD Rule 11, Section 6; GSD Rule 12, Section 11(iii); GSD Rule 14, Section 3; GSD Rule 20, Section 5; and GSD Rule 21A. FICC believes these proposed changes to use the defined terms by capitalizing the current references to novate and novated in the above-referenced GSD Rules would enhance clarity and would not impact the rights and obligations of Members.

FICC also proposes to revise the definition of Novation in GSD Rule 1 to include CCIT Members (or Joint Accounts), which was inadvertently omitted. Specifically, FICC proposes to revise this definition to state that 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 FICC, pursuant to Section 8 of GSD Rule 5. Currently, GSD Rule 5, Section 8(a) states that Novation consists of the termination of the deliver, receive and related payment obligations between the Netting Members, or between a CCIT Member (or Joint Account) and a Netting Member, with respect to the Compared Trade and their replacement with identical obligations to and from FICC in accordance with the GSD Rules. As such, FICC believes this proposed change to the definition of Novation would enhance clarity by correcting an inadvertent omission in the definition of Novation and would not impact the rights and obligations of Members.

#### Proposed Changes To Replace References To Guaranty, Guarantee, and Guaranty of Settlement With Novation or Novate

FICC also proposes to remove references to guaranty, guarantee, and Guaranty of settlement and/or replace such references with Novation or Novate. FICC believes it would enhance clarity and consistency to describe this process in the GSD Rules using the defined term Novation or Novate.<sup>20</sup> Furthermore, FICC believes it would enhance clarity to remove duplicative descriptions.

Specifically, FICC proposes to remove GSD Rule 11B (Guaranty of Settlement). GSD Rule 11B, Section (a) currently describes requirements that must be satisfied for FICC to guarantee the settlement of that trade. Specifically, GSD Rule 11B, Section (a) states that FICC will guarantee the settlement of a trade the data on which were submitted for Bilateral Comparison, Demand

Comparison, or Locked-in Comparison at the time the comparison of such trade occurs pursuant to GSD Rules 6A, 6B, or 6C, respectively, as long as the trade meets the requirements of Section 2 of GSD Rule 11 and was entered into good faith. FICC is proposing to delete this Section (a) of GSD Rule 11B to enhance clarity and consistency because FICC believes this description is duplicative in the GSD Rules. Furthermore, FICC believes it would enhance clarity to consistently use the one defined term Novation. Currently, GSD Rule 5, Section 8(a) states that each Compared Trade that meets the requirements of Section 2 of GSD Rule 11 and was entered into good faith shall be novated to FICC and FICC shall guarantee the settlement of each Compared Trade at the time at which comparison of such Compared Trade occurs pursuant to GSD Rules 6A, 6B, or 6C.<sup>21</sup> GSD Rule 5, Section 8(a) currently also states that such Novation shall consist of the termination of the deliver, receive and related payment obligations between the Netting Members, or between a CCIT Member (or Joint Account) and a Netting Member, with respect to the Compared Trade (including, if such Compared Trade is a Repo Transaction, any Right of Substitution established by the parties) and their replacement with identical obligations to and from FICC in accordance with these Rules.

GSD Rule 11B, Section (b) describes the guaranty referred to in Section (a). Specifically, GSD Rule 11B, Section (b) states that this guaranty means FICC's obligation to include the trade in calculating a Net Settlement Position and to novate the deliver, receive, and payment obligations that were created by the trade pursuant to the GSD Rules. It also states that FICC's guaranty of settlement of an individual trade applies only to the settlement of the trade as it exists as part of a Net Settlement Position. FICC is proposing to remove GSD Rule 11B, Section (b) to enhance clarity and consistency. FICC believes this section is duplicative and that by using the defined terms Novation or Novate instead of Guaranty would enhance clarity and consistency.<sup>22</sup> Novation is currently a defined term in GSD Rule 1 and means 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 Section 8 of Rule 5. In

<sup>21</sup> FICC is also proposing to remove the references to guaranty in GSD Rule 5, Section 8, as described further below.

<sup>22</sup> FICC is also proposing to clarify the definition of "Novation" to include "Novate", as further described above.

addition, GSD Rule 11 describes the Netting System and the establishment of Net Settlement Positions. Specifically, GSD Rule 11, Section 1 states that the Netting System is a system for aggregating and matching offsetting obligations from trades submitted by or on behalf of Netting Members in Eligible Netting Securities. GSD Rule 11, Section 3 describes the obligation to submit trades to FICC for comparison and netting. GSD Rule 11, Section 4 states that on each Business Day, for each Eligible Netting Security with a separate CUSIP number, with certain exceptions, FICC will establish a Net Settlement Position or Fail Net Settlement Position, as applicable.

GSD Rule 11B, Section (c) describes the circumstances when FICC's guaranty described in GSD Rule 11B, Sections (a) and (b) are no longer in effect. GSD Rule 11B, Section (c) states that the guaranty referred to in subsections (a) and (b) above shall no longer be in effect if the trade becomes uncomparated, is cancelled, or settles pursuant to the Rules. FICC is proposing to remove GSD Rule 11B, Section (c) to enhance clarity and consistency by using the terms Novation or Novate instead of Guaranty and FICC believes this section is duplicative. GSD Rule 5, Section 8(c) and (d) also describes what occurs when a trade becomes uncomparated or is cancelled pursuant to the GSD Rules.<sup>23</sup>

GSD Rule 11B, Section (d) describes the requirements that must be satisfied for FICC to guarantee the settlement of Same-Day Settling Trades. FICC is proposing to remove GSD Rule 11B, Section (d) to enhance clarity and consistency as FICC believes this section is duplicative. GSD Rule 5, Section 8(b) currently states that each Same-Day Settling Trade that becomes a Compared Trade and was entered into good faith will be novated to FICC. In addition, the eligibility for settlement of Same-Day Settling Trades is currently described in GSD Rule 12, Section 11(ii).

As described above, FICC believes removing GSD Rule 11B would enhance clarity and consistency as this rule describes FICC's guaranty of settlement and is duplicative, as described above. As such, FICC does not believe the proposed change to remove GSD Rule 11B would impact the rights and obligations of Members.

GSD Rule 3A, Section 2(i) currently states that any Sponsored Member Trades which have received FICC's

<sup>23</sup> FICC is also proposing to clarify the description of what occurs if a trade becomes uncomparated or is cancelled in GSD Rule 5, Section 8(c) pursuant to the GSD Rules, as further described below.

<sup>20</sup> FICC is proposing to revise the definition of Novation to add Novate, as described above.

guaranty of settlement and been novated to FICC shall continue to be processed and guaranteed by FICC. FICC proposes to revise GSD Rule 3A, Section 2(i) and Rule 3A, Section 16 to state any Sponsored Member Trades which have been Novated by FICC shall continue to be processed by FICC.

In addition, GSD Rule 3A, Section 7(a)(iv) states that FICC's guaranty of settlement shall apply to Sponsored Member Trades and such trades shall be novated in the same manner in which trades of Netting Members are novated and settlement is guaranteed pursuant to Section 8 of GSD Rule 5. FICC proposes to revise GSD Rule 3A, Section 7(a)(iv) to state that Sponsored Member Trades shall be Novated in the same manner in which trades of Netting Members are Novated pursuant to Section 8 of GSD Rule 5. FICC would also revise the title of GSD Rule 3A, Section 7 from "The Netting System, Novation and Guaranty of Settlement" to "The Netting System and Novation." GSD Rule 3A, Section 14(c) currently states that any Sponsored Member Trades which have received FICC's guaranty of settlement and been novated to FICC shall continue to be processed and guaranteed by FICC. FICC proposes to revise GSD Rule 3A, Section 14(c) to state any Sponsored Member Trades which have been Novated by FICC shall continue to be processed by FICC.

FICC also proposes to remove GSD Rule 3B, Section 12, which states that GSD Rule 11B (Guaranty of Settlement) shall apply to CCIT Transactions that are Compared Trades. FICC also proposes to revise GSD Rule 3B, Section 14(b) to remove the phrase "guaranteed and." As such, GSD Rule 3B, Section 14(b) would state that once FICC has ceased to act for a Netting Member with whom a CCIT Member traded pursuant to these GSD Rules, if any portions of such trades, as Novated pursuant to these GSD Rules, remain outstanding, then, if FICC determines, in its sole discretion, that the procedures below are necessary to address certain of FICC's liquidity needs, FICC may initiate transactions under the CCIT MRA as provided below.

FICC also proposes to remove the phrase "and guarantee the settlement of" from GSD Rule 21A(v).

In addition, FICC proposes to revise GSD Rule 5, Section 8. FICC would remove the phrase "and Guaranty" from the title of this section. FICC also proposes to remove the phrase "and the Corporation shall guarantee the settlement of each such Compared Trade" from GSD Rule 5, Sections 8(a) and 8(b).

Furthermore, FICC proposes to clarify GSD Rule 5, Section 8(b) by adding a proviso that was inadvertently omitted, so that it would state that each Same-Day Settling Trade that becomes a Compared Trade and was entered into in good faith shall be Novated to FICC at the time at which the comparison of such trade occurs pursuant to GSD Rules 6A or 6B, as applicable, provided the trade meets the requirements of Section 11(ii) of GSD Rule 12.

FICC would also revise GSD Rule 11, Section 14 to enhance clarity. Currently, GSD Rule 11, Section 14 states that FICC shall not guaranty fails charge proceeds in the event of a default (*i.e.*, if the defaulting Member does not pay its fails charge, Members due to receive fails charge proceeds will have those proceeds reduced pro-rata by the defaulting Member's unpaid amount). FICC proposes to state that FICC shall not be under any obligation to pay fails charge proceeds in the event of a default (*i.e.*, if the Defaulting Member does not pay its fails charge, Members due to receive fails charge proceeds will have those proceeds reduced pro-rata by the Defaulting Member's unpaid amount) to enhance clarity and accuracy.

#### 7. Clarify Uncompared or Cancelled Trades

FICC proposes to clarify the descriptions of what occurs to trades that become uncompared or are cancelled in the GSD Rules.

GSD Rule 5, Section 8(c) currently states that if a trade becomes uncompared or is cancelled pursuant to these GSD Rules, the Novation and FICC's guaranty of settlement of such transaction shall be reversed, cancelling the deliver, receive, and related payment obligations between FICC and the applicable Netting Members, and, as applicable, CCIT Member (or Joint Account), created by such Novation. FICC proposes to revise this description in GSD Rule 5, Section 8(c) to remove the description stating that Novation and guaranty of settlement will be reversed if a trade becomes uncompared or cancelled pursuant to the GSD Rules. Specifically, FICC proposes to revise GSD Rule 5, Section 8(c) to state that if a trade becomes uncompared or is cancelled pursuant to these GSD Rules, the deliver, receive, and related payment obligations between FICC and the Netting Members and, as applicable, CCIT Member (or Joint Account), created by the Novation of such trade shall be terminated and cancelled, and no amounts shall be owing between FICC and the Netting Members or CCIT Member (or Joint Account) on account of such trade. FICC believes the

proposed changes would enhance accuracy as to what occurs if a trade becomes uncompared or is cancelled pursuant to the GSD Rules, and thereby also enhance clarity. FICC is proposing changes to the description in the GSD Rules and is not proposing changes to what occurs if a trade becomes uncompared or cancelled pursuant to the GSD Rules and as such, FICC does not believe that these proposed changes to GSD Rule 5, Section 8(c) would impact the rights and obligations of Members.

Similarly, FICC proposes to revise GSD Rule 12, Section 11(iii) to describe what occurs if a novated Same-Day Settling Trade becomes uncompared or is cancelled to be consistent with the above-described proposed changes in GSD Rule 5, Section 8(c) to the description of what occurs if a trade becomes uncompared or is cancelled pursuant to the GSD Rules. GSD Rule 12, Section 11(iii) currently states that if a novated Same-Day Settling Trade becomes uncompared or is cancelled pursuant to these GSD Rules, the Novation and FICC's guaranty of settlement of such transaction shall no longer apply, cancelling the deliver, receive, and related payment obligations between FICC and the applicable Netting Members, created by such Novation. FICC proposes to revise GSD Rule 12, Section 11(iii) to state that if a Novated Same-Day Settling Trade becomes uncompared and is cancelled pursuant to these GSD Rules, the deliver, receive, and related payment obligations between FICC and the Netting Members created by the Novation of such trade shall be terminated and cancelled, and no amounts shall be owing between FICC and the Netting Members on account of such trade. FICC believes having consistent descriptions of what occurs if a trade or Same-Day Settling Trade becomes uncompared or cancelled pursuant to the GSD Rules would enhance clarity. FICC is proposing clarifications to the description in the GSD Rules and is not proposing changes to what occurs if a Same-Day Settling Trade becomes uncompared or cancelled pursuant to the GSD Rules and as such, FICC does not believe that these proposed changes to GSD Rule 12, Section 11(iii) would impact the rights and obligations of Members.

#### 8. Clarify Timing and Cumulative Effect of Presumptions

Current GSD Rule 10, Section 6 (which would be revised to Section 7 because FICC is proposing to add a new Section 6, as described below) states that notwithstanding anything to the

contrary in this Rule, more than one presumption of a match of data may be used by FICC to generate a comparison of a trade. FICC would revise the first paragraph in this section to state that notwithstanding anything contrary in this Rule, FICC may apply more than one presumption of a match of data to generate a comparison of a trade. FICC believes this proposed change would enhance readability, and thereby enhance clarity and would not impact the rights and obligations of Members.

The second paragraph of this section of GSD Rule 10 states that FICC will provide Members with prior notice setting forth, with regard to each enhanced comparison process, whether it will be performed in Real Time or at end of day. FICC proposes to remove this description and replace it with more specific language that describes which enhanced matching processes occur in Real Time and which occur at the end of day. FICC proposes to add a description stating that FICC would perform the enhanced comparison processes regarding the presumed match of data set forth in Sections 1, 2, 5 and 6 of GSD Rule 10 in Real Time, and that FICC would also perform the enhanced comparison processes regarding the presumed match of data set forth in Sections 1, 2, 3, 4, 5 and 6 of GSD Rule 10 at end of day, with the exception that, at end of day, Sections 4 and 5 would not apply to Repo Transactions. FICC believes these proposed changes that this additional specificity in the GSD Rules as to which enhanced matching processes occur at what times would enhance clarity and would not impact the rights and obligations of Members.

#### 9. Clarify Substitutions of Collateral

In GSD Rule 20, Section 4, FICC proposes to clarify the descriptions relating to substitutions of collateral, which both state that all requests for substitutions must be made by the substitution deadline established by FICC and announced by to Members by Important Notice from time to time. FICC proposes to remove the last sentence from the first paragraph and the last sentence from the second paragraph, which each contains this description. FICC would add a new paragraph to GSD Rule 20, Section 4, which states that for the avoidance of doubt, Dealers will be able to substitute any previously described collateral during the day and until such time as their new Collateral Allocation Obligations for that day are fully satisfied and finalized with the GCF Clearing Agent Bank. FICC believes that these proposed changes would remove

duplicative language and as such, would not impact the rights and obligations of Members.

#### 10. Clarify Right of Substitution

Currently, GSD Rule 11, Section 6 states that notwithstanding anything to the contrary in the above paragraph, if a Right of Substitution was established by the parties to a Repo Transaction, such Right of Substitution shall continue, and be recognized by FICC, after the netting of obligations pursuant to the above paragraph. FICC proposes to revise GSD Rule 11, Section 6 to state that 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 FICC pursuant to these Rules. Parties to a Repo Transaction may agree to a Right of Substitution in their bilateral agreements. However, because FICC is not a party to such agreements, and therefore does not have a view into what was agreed to in these bilateral agreements, FICC proposes to revise GSD Rule 11, Section 6 to clarify that FICC recognizes a Right of Substitution applicable to a Repo Transaction that constitutes all or part of a Net Settlement Position (rather than a Right of Substitution established by the parties to a Repo Transaction, which is how it is currently described in the GSD Rules), and such Right of Substitution would be recognized pursuant to the GSD Rules (rather than that the Right of Substitution was established by the parties to a Repo Transaction). FICC believes these proposed changes to the description of the Right of Substitution with respect to Repo Transactions that constitute all or part of a Net Settlement Position would enhance accuracy, and thereby enhance clarity and FICC is not proposing changes to the Right of Substitution. As such, FICC does not believe this proposed change would impact the rights and obligations of Members.

Furthermore, currently, GSD Rule 5, Section 8(e) states that if a Right of Substitution was established by the parties to a Repo Transaction, such Right of Substitution shall continue and be recognized by FICC after Novation. As such, FICC proposes to remove GSD Rule 5, Section 8(e) because the Right of Substitution would be described in GSD Rule 11, Section 6, as described above. FICC does not believe that this proposed change would impact the rights and obligations of Members.

In addition, FICC proposes to revise GSD Rule 14, Section 3. Currently, GSD Rule 14, Section 3 states that notwithstanding another to the contrary

in the above paragraph, if a Right of Substitution was established by the parties to a Repo Transaction, such Right of Substitution shall continue, and be recognized by FICC, after the netting of obligations pursuant to the above paragraph. FICC would also revise GSD Rule 14, Section 3 to state that 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 Forward Net Settlement Position shall be recognized by FICC pursuant to these Rules. FICC would revise the description in GSD Rule 14, Section 3 to be consistent with the above-described proposed changes to GSD Rule 11, Section 6. FICC believes having consistent descriptions of the Right of Substitution applicable to Repo Transactions that constitute all or part of a Net Settlement Position (as described above) or Forward Net Settlement Position would enhance clarity. FICC is proposing clarifications to the description in the GSD Rules to enhance accuracy and clarity and is not proposing changes to the Right of Substitution and as such, FICC does not believe that these proposed changes to GSD Rule 14, Section 3 would impact the rights and obligations of Members.

FICC also proposes to clarify GSD Rule 18, Section 3(f), which currently states that FICC will have no obligation to ensure the acceptability to the Reverse Repo Party of any New Securities Collateral transferred pursuant to this section. FICC proposes to clarify this sentence by adding that FICC also will not record, authenticate or monitor the number of collateral substitutions performed in accordance with the Right of Substitution. FICC believes this additional detail would enhance clarity and describes what currently happens. As such, FICC does not believe that this proposed change to GSD Rule 18, Section 3(f) would impact the rights and obligations of Members.

#### 11. Clarify Affiliated Members

FICC proposes to revise the description relating to Affiliated Members in GSD Rule 10, Section 3 to enhance clarity and readability.

GSD Rule 10, Section 3 describes a situation in which a Member submits data on one side of a trade against an incorrect counterparty that would have been compared had it been submitted against the correct counterparty, and these two counterparties are Affiliates and Members of GSD. A Member submits data against the identifying numbers of its counterparty. For example, assume Member 2 and Member 3 are Affiliates and both are Members of GSD.

Also, assume that Member 1 submitted data on a side of trade against Member 2 (the incorrect contraparty to the trade) and Member 3 submitted against Member 1. These trades would not compare because the counterparties do not match. Member 1 should have submitted the trade against Member 3 (the correct contraparty to the trade). However, if Member 2 and Member 3 have notified FICC that they are Affiliates and that they each wish to be presumed to be the correct contraparty to the side of the trade, then FICC has the discretion to compare the trade based on Member 1's correct contraparty being Member 3.

Currently, GSD Rule 10, Section 3 states that if data on a side of a trade submitted by a Member (hereinafter, the "First Member") against another Member (hereinafter, the "Non-Contraparty Affiliated Member") do not compare as submitted, but would compare if matched against data submitted by a third member that is an Affiliate of the Non-Contraparty Affiliated Member (hereinafter, the "Contraparty Affiliated Member"), FICC may, in its discretion, if it has received notice from the Non-Contraparty Affiliated Member and the Contraparty Affiliated Member, in a form and manner satisfactory to FICC (which notice may vary on a product-by-product basis), stating that they are Affiliates and that each wishes to be presumed to be the correct counterparty to a side of a trade submitted with an indication that the other is the contraparty, if this would allow the data on the trade to match, compare the trade based on the first Member's correct contraparty being the Contraparty Affiliated Member.

FICC proposes to remove the current description in GSD Rule 10, Section 3 and replace it with a clearer description. FICC would state that Members that are Affiliates may submit written authorization to FICC stating that each Affiliate wishes to be presumed to be the correct contra-party to a side of a trade, if this presumption would allow the data on a trade that has differing contra member identifying numbers to match. Such written authorization must be in a form and manner satisfactory to FICC and may vary on a product-by-product basis. If a trade between two contra-parties (hereinafter, the "First Member" and "Second Member") submitted to FICC does not match because the First Member submitted the contra member identifying number of the Second Member's Affiliate instead of the Second Member, FICC shall compare the trade based on the Second Member's trade submission as if the

First Member submitted the contra member identifying number of the Second Member and FICC has received the written authorization referred to in this paragraph from the Second Member and the Second Member's Affiliate.

As described above, to enhance clarity, FICC proposing to revise the current description in GSD Rule 10, Section 3 of what occurs when a Member submits data on one side of a trade against an incorrect contraparty that would have been compared had it been submitted against the correct contraparty, and these two counterparties are Affiliates and Members of GSD; FICC is not proposing changes to the process. As such, FICC does not believe these proposed changes would impact the rights and obligations of Members.

#### 12. Clarify Pricing Rate

Currently, GSD Rule 3B, Section 14(a)(xii) states that the Pricing Rate (as defined in the CCIT MRA) in respect of each Transaction shall be the rate published on FICC's website at the time FICC initiates such Transaction, corresponding to: (A) U.S. Treasury < 30-year maturity (CUSIP: 371487AE9) if the Purchased Securities under such Transaction are U.S. Treasury bills, notes or bonds, (B) Non-Mortgage Backed U.S. Agency Securities (CUSIP: 371487AH2) if the Purchased Securities under such Transaction are non-mortgage-backed U.S. agency securities or (C) Fannie Mae, Freddie Mac, and UMBS Fixed Rate MBS (CUSIP: 371487AL3) if the Purchased Securities under such Transaction are mortgage-backed securities, or if the relevant foregoing rate is unavailable, a rate that FICC reasonably determines approximates the average daily interest rate paid by a seller of the Purchased Securities under a cleared repurchase transaction.

FICC proposes to revise GSD Rule 3B, Section 14(a)(xii) to remove the specific references to the General CUSIP Numbers and the related descriptions listed in subsections (A), (B), and (C). Specifically, FICC proposes to revise this section to state that the Pricing Rate (as defined in the CCIT MRA) in respect of each Transaction shall be the rate that FICC reasonably determines approximates the average daily interest rate paid by a seller of the Purchased Securities under a cleared repurchase transaction. There may be changes in the market that may affect the rates that correspond to the specific Generic CUSIP Numbers that are currently listed in the GSD Rules. As such, these proposed changes would provide FICC with more flexibility to respond more quickly to changes in the market

without a rule filing and better enable FICC to use rates that are current and reflect the market while at the same time, ensuring that the GSD Rules remain accurate. FICC does not believe this proposed change would impact the rights and obligations of Members because the GSD Rules currently provide that if the rates are unavailable, then the Pricing Rate will be a rate that FICC reasonably determines approximates the average daily interest rate paid by a seller of the Purchased Securities under a cleared repurchase transaction. As such, the GSD Rules currently enable FICC to select rates that approximate the average daily interest rate paid by a seller of the Purchased Securities under a cleared repurchase transaction.

#### 13. Clarify References to Treasury Department Regulations

GSD Rule 6C, Section 8 states that in its sole discretion, FICC may decline to accept from a Locked-In Trade Source data on the Locked-In Trades of a particular Member or Members, including Netting-Eligible Auction Purchases (subject to terms and conditions agreed to by FICC and the Treasury Department regarding Netting-Eligible Auction Purchases).

GSD Rule 6C, Section 11 states that FICC has the authority, in order to correct or avoid an error, to unilaterally modify, add, or cancel data on any Netting-Eligible Auction Purchase (subject to terms and conditions agreed to by FICC and the Treasury Department regarding Auction Purchases). This section also states that in the event a security auctioned in a Treasury Department auction is not issued, FICC will have the authority to unilaterally modify, add, or cancel data on any Netting-Eligible Auction Purchase involving that security (subject to terms and conditions agreed to by FICC and the Treasury Department regarding Auction Purchases).

FICC proposes to clarify the above-described references in GSD Rule 6C, Sections 8 and 11 from the terms and conditions agreed to by FICC and the Treasury Department regarding Netting-Eligible Auction Purchases or Auction Purchases (as applicable) to the applicable Treasury Department regulations regarding Netting-Eligible Auction Purchases. FICC would revise these references because FICC believes it is more accurate to state that the applicable Treasury Department regulations govern the Netting-Eligible Auction Purchases rather than describing it as the terms and conditions agreed to by FICC and the Treasury Department. FICC and the Treasury

Department do not have a separate agreement with terms and conditions regarding Auction Purchases. As such, FICC believes these proposed changes to reference the applicable Treasury Department regulations regarding Netting-Eligible Auction Purchases instead of the terms and conditions agreed to by FICC and the Treasury Department regarding Auction Purchases would enhance accuracy, and thereby enhance clarity. FICC does not believe that these proposed clarifications would impact the rights and obligations of Members.

#### 14. Clarify References to Federal Reserve Banks Operating Circulars

FICC proposes to revise the Interpretive Guidance with Respect to Settlement Finality in the GSD Rules and MBSD Rules to allow this guidance to remain accurate, current and aligned with any future revisions to the Federal Reserve Banks Operating Circulars (“Operating Circulars”).

Currently, the Interpretive Guidance with Respect to Settlement Finality in the GSD Rules and MBSD Rules (i) reference specific sections in the Operating Circulars, (ii) refer to specific dates of certain Operating Circulars, and (iii) include direct quotations from the Operating Circulars, including specific text and defined terms.

FICC proposes to revise this guidance to be more general by removing specific section references to the Operating Circulars and replacing those references with more general descriptions of the subjects covered in such sections of the Operating Circulars in the event the specific section references change when the Operating Circulars are updated or revised. FICC would also remove references to specific dates of the Operating Circulars and replace them with references to the Operating Circulars “as promulgated from time to time by the FRB.”

In addition, FICC proposes to remove specific quotations of text and defined terms. FICC would replace the direct quotations of defined terms with cross-references to the relevant Operating Circulars. FICC also proposes to remove the dates at the end of the Interpretive Guidance with Respect to Settlement Finality in the GSD Rules and MBSD Rules.

FICC believes that these proposed changes would enhance accuracy by allowing the GSD Rules and MBSD Rules to remain accurate, current and aligned following any revisions to the Operating Circulars, and thereby enhance clarity. FICC does not believe these proposed clarifications would

impact the rights and obligations of Members.

#### 15. Clarify Uses of Terms “Written Notice” and “Notice”

FICC proposes to clarify that “written notice” in the definition of GCF-Authorized Inter-Dealer Broker in GSD Rule 1 and “notice” in GSD Rule 3B, Section 6 both refer to Important Notices, which are posted to the DTCC website. FICC believes revising this reference from written notice and notice to the issuance of an Important Notice would enhance clarity because the proposed changes provide additional specificity. FICC does not believe that this proposed clarification would impact the rights and obligations of Members.

#### 16. Clarify Definition of Settlement Agent

FICC would clarify the definition of Settlement Agent in GSD Rule 1 and MBSD Rule 1 by adding a parenthetical stating “and as referenced in the Federal Reserve Banks Operating Circular 12.” As such, because the parenthetical would be added to the definition of “Settlement Agent” in the GSD Rules and MBSD Rules, FICC also proposes to remove from GSD Rule 13, Section 5(g) and MBSD Rule 11, Section 9(g), the parenthetical stating “as that term is used in the relevant FRB’s Operating Circular 12 and in these Rules” that currently follows the references to Settlement Agent.

FICC believes it would enhance clarity to add the parenthetical to the definition of Settlement Agent and this proposed change would not impact the rights and obligations of Members.

#### 17. Clarify Money Tolerances

Currently, the GSD Rules contain a Schedule of Money Tolerances, which lists the Money Tolerances that have been established by FICC.<sup>24</sup> FICC proposes to add a new Section 6 to GSD Rule 10, titled “Money Tolerances.” FICC would state in this new section that if the data of a Required Match Data item on a trade do not compare because the dollar amount(s) submitted by two Members differs, FICC will compare the trade if the difference in the Required Match Data item is within the tolerance specifications set by FICC in the Schedule of Money Tolerances.

FICC believes adding this section in GSD Rule 10 that cross-references the current Schedule of Money Tolerances would enhance clarity with respect to the current practice regarding the

comparison of a trade where there are differences in the dollar amount(s) submitted by two Members. As such, FICC does not believe this proposed clarification would impact the rights and obligations of Members.

#### 18. Clarify GSD Rule 11, Section 12

In GSD Rule 11, Section 12, FICC proposes to delete the sentence stating that Netting Members shall inform FICC promptly after the occurrence of any event specified earlier in that Section 12 and revise the first sentence to state that each Netting Member shall be obligated to inform FICC promptly if any referenced events were to occur. FICC believes this proposed change would enhance clarity with respect to Netting Members’ requirement to promptly notify FICC in these circumstances by moving the description of that requirement to the beginning of the section rather than at the end. As such, FICC does not believe this proposed clarification would impact the rights and obligations of Members.

#### 19. Clarify GSD Rule 5, Section 6

Currently GSD Rule 5, Section 6 states that, except as otherwise provided in GSD Rule 10, any confirmations, comparison or other documentary evidence of any such Compared Trade, other than the comparison generated by FICC shall not affect the existence or terms and conditions of such a valid, binding and enforceable contract in respect of such Compared Trade.

FICC proposes to clarify GSD Rule 5, Section 6 by removing the phrase “[e]xcept as otherwise provided in Rule 10,” and instead restating the referenced language in GSD Rule 5, Section 6. Specifically, FICC proposes to add to GSD Rule 5, Section 6 that, notwithstanding the previous sentence, the comparison by FICC of a trade involving unmatched commission amounts pursuant to the GSD Rules, while evidencing a valid, binding and enforceable contract between the parties to the trade to the same degree as if the commission amounts matched shall not constitute a final, binding determination by FICC as to the correct commission amount owing on such trade. The Broker that submitted data on such trade shall have an ongoing obligation to the Dealer that submitted data on such trade to respond promptly to such Dealer’s commission difference inquiries, and to act in good faith to promptly resolve any such alleged differences.

FICC believes this proposed change would enhance readability, and thereby enhance clarity and would not impact the rights and obligations of Members.

<sup>24</sup> The term “Money Tolerance” is defined in GSD Rule 1, *supra* note 5.



## 20. Clarify Indemnification Provisions

FICC proposes to clarify the indemnification provisions in connection with an FFI Member failing to be FATCA Compliant in the GSD Rules and the MBSD Rules. These indemnification provisions are described in the provisions relating to the membership application and the provisions relating to the ongoing membership requirements in the GSD Rules and MBSD Rules. GSD Rule 3 describes the ongoing membership requirements. Specifically, current GSD Rule 3, Section 9(iii) states that an FFI Member agrees to indemnify FICC, its affiliates, and each of their respective shareholders, directors, officers, employees, agents and advisors (each, an “Indemnified Person”) for any loss, liability or expense sustained by the Indemnified Party as a result of such FFI Member failing to be FATCA Compliant.

GSD Rule 2A, MBSD Rule 2A and GSD Rule 3B, Section 3 describe the membership application requirements. GSD Rule 2A, Section 2(a)(v) and MBSD Rule 2A, Section 1 currently state that in addition, as part of its membership application, each applicant that shall be an FFI Member must agree that it shall indemnify FICC for any loss, liability or expense sustained by FICC as a result of its failing to be FATCA Compliant. Similarly, GSD Rule 3B, Section 3(c)(i) states that in addition, as part of its membership application, such applicant must agree that it shall indemnify FICC for any loss, liability or expense sustained by FICC as a result of the applicant failing to be FATCA Compliant.

The indemnification in connection with an FFI Member failing to be FATCA Compliant is also described in the ongoing membership requirements in the GSD Rules and the MBSD Rules. Specifically, MBSD Rule 3, Section 8(iii) currently states that an FFI Member will indemnify FICC for any loss, liability or expense sustained by FICC as a result of such FFI Member failing to be FATCA Compliant. In addition, GSD Rule 3B, Section 5(j)(iii) currently states that a CCIT Member that is an FFI Member shall indemnify FICC for any loss, liability or expense sustained by FICC as a result of such CCIT Member failing to be FATCA Compliant.

In order to enhance consistency, and thereby enhance clarity, FICC proposes to revise the indemnification provisions in connection with an FFI Member failing to be FATCA Compliant described in GSD Rule 2A, Section 2(a)(v), MBSD Rule 2A, Section 1, GSD Rule 3B, Section 3(c)(i), MBSD Rule 3, Section 8(iii), and GSD Rule 3B, Section

5(j)(iii) to align with the current indemnification provision in connection with an FFI Member failing to be FATCA Compliant described in current GSD Rule 3, Section 9(iii). Specifically, FICC proposes to revise GSD Rule 2A, Section 2(a)(v) and MBSD Rule 2A, Section 1 to state that 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 its failing to be FATCA Compliant.

Similarly, FICC proposes to revise the indemnification provision in connection with an FFI Member failing to be FATCA Compliant in MBSD Rule 3, Section 8(iii) to align with the current indemnification provision in connection with an FFI Member failing to be FATCA Compliant described in current GSD Rule 3, Section 9(iii). Specifically, FICC also proposes to revise MBSD Rule 3, Section 8(iii) to state that an FFI Member agrees to indemnify FICC, its affiliates, and each of their respective shareholders, directors, officers, employees, agents and advisors (each, an “Indemnified Person”) for any loss, liability or expense sustained by the Indemnified Person as a result of such FFI Member failing to be FATCA Compliant. FICC also proposes to revise GSD Rule 3B, Section 5(j)(iii) to state that a CCIT Member that is an FFI Member shall indemnify each Indemnified Person for any loss, liability or expense sustained by the Indemnified Person as a result of such CCIT Member failing to be FATCA Compliant.

Furthermore, FICC proposes to add Indemnified Person as a new defined term to MBSD Rule 1 as a conforming change. Indemnified Person would have the meaning given to that term in Section 8 of MBSD Rule 3. This proposed change would also be consistent with the GSD Rules, which also lists Indemnified Person as a defined term in GSD Rule 1.

FICC believes that the above-described proposed changes would enhance clarity by having consistent indemnification provisions in connection with an FFI Member failing to be FATCA Compliant in the MBSD Rules and GSD Rules, and the above-described proposed changes would align the indemnification described in GSD Rule 2A, Section 2(a)(v), MBSD Rule 2A, Section 1, GSD Rule 3B, Section 3(c)(i), MBSD Rule 3, Section 8(iii), and GSD Rule 3B, Section 5(j)(iii) with the current indemnification described in GSD Rule 3, Section 9(iii). FICC also believes it would enhance

clarity to list Indemnified Person as a new defined term in MBSD Rule 1 and would be consistent with the GSD Rules, as described above. FICC does not believe these proposed changes to the indemnification provisions for FFI Members failing to be FATCA Compliant in the GSD Rules and MBSD Rules described above would have an impact on the rights and obligations of Members because these indemnification provisions describe the costs of non-compliance and FICC’s position has always been that the costs of non-compliance would be imposed on the FFI Members that fail to be FATCA Compliant.<sup>25</sup> FICC also does not believe that the related proposed change to add Indemnified Person as a new defined term in MBSD Rule 1 would impact the rights and obligations of Members because it is a conforming change.

## 21. Clarify Timeframes and the Schedule of Timeframes

In GSD Rule 5, Section 5, FICC proposes to revise the reference from time schedules to timeframes to enhance consistency, and thereby clarity.

In addition, currently, GSD Rule 11, Section 4 states that all Net Settlement Positions will be reported, by CUSIP Number, by FICC in a Report issued and made available during the morning of each Business Day to each Netting Member. FICC proposes to revise this sentence to refer to the Schedule of Timeframes and to remove the phrase “during the morning of each Business Day.”

Similarly, GSD Rule 14, Section 2 states that each Forward Net Settlement Position of a Netting Member will be reported, by CUSIP Number, by FICC in a Report issued and made available during the morning of each Business Day during the Forward Period applicable to such Position to such Member. FICC proposes to remove the phrase “and made available during the morning of” and instead, replace it with the phrase “by the time stated in the Schedule of Timeframes for.”

FICC believes these proposed changes would enhance clarity by removing more general references to time and directing members to refer to the Schedule of Timeframes, which contains specific timeframes. FICC does not believe that these proposed clarifications would impact the rights and obligations of Members because the Schedule of Timeframes currently sets forth specific timeframes.

<sup>25</sup> Securities Exchange Act Release No. 69740 (June 12, 2013), 78 FR 36608 (June 18, 2013) (SR-FICC-2013-04).

## 22. Clarify References to the Fine Schedule

In GSD Rule 3B, Section 5(f), FICC proposes to clarify that Members should refer to the Fine Schedule in the GSD Rules for the dollar amount of the fine by deleting the reference to \$1,000 and adding that the fine is pursuant to the applicable Fine Schedule in the GSD Rules. FICC believes this proposed change would enhance clarity by removing a duplicative reference to the amount of the fine and directing Members to refer to applicable Fine Schedule, which currently lists the amount of the fines. FICC does not believe that this proposed clarification would impact the rights and obligations of Members because this proposed change does not change the amount of the fines.

## 23. Other Clarifications to Schedules in the GSD Rules

### Proposed Changes to Titles of Certain Schedules

FICC proposes to clarify the following titles of certain schedules in the GSD Rules and make related changes, as described below.

First, FICC proposes to revise the title from “Schedule of Required and Accepted Data Submission Items for a Substitution” to “Schedule of Required and Accepted Data Submission Items for a Substitution of Existing Securities Collateral.” This schedule sets forth the data items that are required to be received by FICC for FICC to process a substitution of Existing Securities Collateral. Furthermore, FICC would make a conforming change to revise the reference to this schedule in GSD Rule 18, Section 3 from “Schedule of Required and Accepted Data Submission Items for a Substitution” to “Schedule of Required and Accepted Data Submission Items for a Substitution of Existing Securities Collateral.” FICC believes adding “of Existing Collateral” to the end of the title “Schedule of Required and Accepted Data Submission Items for a Substitution” would enhance clarity by adding more specificity to the title. Furthermore, FICC believes that making conforming changes to the current references to this schedule in the GSD Rules would enhance consistency and therefore, also enhance clarity. FICC does not believe these proposed clarifications would impact the rights and obligations of Members.

Second, FICC would also revise the title of another schedule from “Schedule of Required and Accepted Data Submission Items for New Securities Collateral” to “Schedule of

Required and Accepted Data Submission Items for a Substitution for New Securities Collateral.” FICC believes that adding “for a Substitution” in the current title “Schedule of Required and Accepted Data Submission Items for New Securities Collateral” would enhance clarity by adding more specificity to the title. FICC does not believe this proposed clarification would impact the rights and obligations of Members.

### Proposed Changes to Descriptions in Certain Schedules

FICC also proposes to clarify the following descriptions in certain schedules in the GSD Rules.

In the Schedule of Required Match Data, FICC proposes to change Contra Member identifying information to Contra Member identifying number to enhance accuracy, and thereby enhance clarity. FICC believes it is more accurate to describe this data item using the word “number” rather than “information.”

In the Schedule of Required Data Submission Items, FICC proposes to add a description for Trade Date, stating that the date on which the trade was executed must be submitted in this field. FICC believes this additional detail regarding the meaning of Trade date would enhance clarity by adding more specificity.

In the Schedule of Required and Accepted Data Submission Items for New Securities Collateral, FICC proposes to clarify the first paragraph by revising “it” to “the Corporation.” FICC believes this proposed change would add more specificity, and thereby enhance clarity.

In the Schedule of Required and Other Data Submission Items for GCF Repo Transactions, FICC proposes to remove (i) Role—Reserved for future use and (ii) Transaction—Reserved for future use.

In the Schedule of Required and Other Data Submission Items for GCF Repo Transactions, FICC also proposes to revise the descriptions from (i) Participant number of the GCF Counterparty from whom the Broker is reversing in securities, and (ii) Participant number of the GCF Counterparty to whom the Broker is repoing out securities to (i) Member identifying number of the GCF Counterparty from whom the Broker is reversing in securities and (ii) Member identifying number of the GCF Counterparty to whom the Broker is repoing out securities, respectively. FICC believes it is more accurate to use “Member” rather than “Participant” in these descriptions.

In the Schedule of Required and Other Data Submission Items for GCF Repo Transactions, FICC also proposes to revise (i) Participant ID to Member ID and (ii) Participant Name to Member Name.

In the Schedule of Money Tolerances, FICC proposes to clarify the current description of the settlement amount in Item 2 by revising it to state that it is \$40 per \$1 million for buy-sell transactions (in connection with FICC’s presumption of a match of data pursuant to GSD Rule 10). FICC is proposing to clarify this sentence to specifically state that it applies to buy-sell transactions rather than stating what it does not apply to (*i.e.*, it does not apply to Repo Transactions). Furthermore, this proposed clarification aligns the wording in this Item 2 with the description in Item 1 of the Schedule of Money Tolerances, which describes the settlement amount for repo transactions and the settlement amount for buy-sell transactions. FICC would also move the parenthetical describing that this is in connection with FICC’s presumption of match data pursuant to GSD Rule 10 to the end of the sentence. These proposed changes would not be a change from FICC’s current process and are only clarifications, so FICC does not believe this would impact the rights and obligations of Members.

## 24. Remove List of Designated Locked-In Trade Sources

FICC proposes to remove the list of Designated Locked-In Trade Sources in the GSD Rules, which currently lists (i) Federal Reserve Banks, as fiscal agents of the United States; (ii) GCF-Authorized Inter-Dealer Brokers (for GCF Repo Transactions); and (iii) The Treasury Department. “Locked-In Trade Source” is currently defined in GSD Rule 1 as a source of data on Locked-In Trades that FICC has so designated, subject to such terms and conditions as to which the Locked-In Trade Source and FICC may agree. As such, FICC believes that the list of Designated Locked-In Trade Sources can be listed in a separate document rather than the GSD Rules. This would provide FICC with more flexibility to update the list of designated Locked-In Trade Sources from time to time without a rule filing. FICC does not believe this proposed change would impact the rights and obligations of Members because the list of Designated Locked-In Trade Sources would still be listed in a separate document and available to Members.

## 25. Clarify Rules Through Uses of Defined Terms

### Proposed Changes To Replace “Position” and “position” With Defined Terms

FICC proposes to clarify certain references to “Position” and “position” in the GSD Rules by replacing these references with the specific defined term, as further described below. “Position” and “position” are currently used in certain descriptions in the GSD Rules as a shorthand for the defined term. However, FICC believes it would be more accurate to use the defined term in these descriptions and is proposing to replace these references with the defined term. For example, the current definition of Collateral Mark in GSD Rule 1 states that the term “Collateral Mark” means, as regards a Forward Net Settlement Position, the sum of all Collateral Marks on each of the Forward Trades that compose such Position. FICC would revise this reference from “Position” to “Forward Net Settlement Position.” FICC believes these proposed changes to use the full defined term instead of a shorthand version would add more specificity, and thereby would enhance clarity. FICC does not believe these proposed changes to add more specificity would impact the rights and obligations of Members.

Specifically, FICC proposes to make the following changes in the GSD Rules:

- In the definition of Collateral Mark in GSD Rule 1, FICC would revise Position to Forward Net Settlement Position.
- In the definition of Credit Transaction Adjustment Payment in GSD Rule 1, FICC would revise the first reference to Position to Net Long Position and the second reference to Net Short Position.
- In the definition of Debit Transaction Adjustment Payment in GSD Rule 1, FICC would revise the first reference to Position to Net Long Position and the second reference to Net Short Position.
- In the definition of Financing Mark in GSD Rule 1, FICC would revise position to Forward Net Settlement Position.
- In the definition of Forward Mark Adjustment Payment in GSD Rule 1, FICC would revise Position to Forward Net Settlement Position.
- In the definition of Forward Net Settlement Position in GSD Rule 1, FICC would revise Positions to Forward Net Settlement Positions.
- In the definition of Forward Period in GSD Rule 1, FICC would revise Positions to Forward Net Settlement Positions.

- In the definition of GCF Forward Starting Interest Rate Mark in GSD Rule 1, FICC would revise position to Forward Net Settlement Position.

- In the definition of GCF Interest Rate Mark in GSD Rule 1, FICC would revise position to GCF Net Settlement Position.

- In the definition of Interest Rate Mark in GSD Rule 1, FICC would revise position to Forward Net Settlement Position.

- In the definition of Maturity Value in GSD Rule 1, FICC would revise Position to Net Settlement Position.

- In the definition of Net Long Position in GSD Rule 1, FICC would revise Position to Net Long Position.

- In the definition of Net Short Position in GSD Rule 1, FICC would revise Position to Net Short Position.

- In the definition of Redemption Adjustment Payment in GSD Rule 1, FICC would revise position to Net Settlement Position.

- In the definition of Redemption Value in GSD Rule 1, FICC would revise position to Net Settlement Position.

- In the definition of System Value in GSD Rule 1, FICC would revise Position to Net Settlement Position.

- In GSD Rule 11, Section 6, FICC would revise Positions to Net Settlement Positions.

- In the second paragraph of GSD Rule 11, Section 8, FICC would revise Position to Net Long Position.

- In GSD Rule 12, Section 5, FICC would revise Positions to Net Long Positions.

- In GSD Rule 12, Section 7, FICC would revise Position to Net Long Position.

- In GSD Rule 13, Section 1(h), FICC would revise position to Net Settlement Position.

- In GSD Rule 14, Section 2, FICC would revise Position to Forward Net Settlement Position, and Positions to Forward Net Settlement Positions.

- In the first paragraph of GSD Rule 14, Section 3, FICC would revise Position to Forward Net Settlement Position, and Positions to Forward Net Settlement Positions.

- In the first paragraph of GSD Rule 20, Section 3, FICC would revise the first reference to Position to GCF Net Funds Borrower Position and would revise the second reference to Position to GCF Net Funds Lender Position.

- In the second paragraph of GSD Rule 20, Section 3, FICC would revise Position to GCF Net Funds Borrower Position.

- In GSD Rule 20, Section 5, FICC would revise Positions to GCF Net Settlement Positions.

- In GSD Rule 22A, Section 2(b), FICC would revise Positions to Final Net Settlement Positions.

### Proposed Changes To Replace “Repo Transaction” With Defined Term

FICC also proposes to clarify certain references from “Repo Transaction” in the GSD Rules by replacing these references with the specific defined term, “GCF Repo Transaction,” as further described below. “Repo Transaction” is currently used in the definitions of GCF Forward Starting Interest Rate Mark and GCF Interest Rate Mark. Because these two definitions are with respect to the marks for GCF Repo Transactions only, FICC believes it would enhance accuracy to revise the references in these definitions from “Repo Transactions” to “GCF Repo Transactions.” FICC does not believe these proposed changes would impact the rights and obligations of Members.

Specifically, FICC proposes to make the following changes:

- In the definition of GCF Forward Starting Interest Rate Mark in GSD Rule 1, FICC proposes to revise the references from Repo Transaction to GCF Repo Transaction, and from Repo Transaction’s to GCF Repo Transaction’s.
- In the definition of GCF Interest Rate Mark in GSD Rule 1, FICC proposes to revise the references from Repo Transaction to GCF Repo Transaction, and from Repo Transaction’s to GCF Repo Transaction’s.

### Proposed Changes To Replace “Transaction” With Defined Terms

FICC also proposes to clarify certain references to “Transaction” in the GSD Rules by replacing these references with the specific defined term, as further described below. For example, current GSD Rule 6C, Section 2 states that with regard to GCF Repo Transactions, FICC shall not accept data from a GCF-Authorized Inter-Dealer Broker regarding any such Transaction unless FICC previously has received authorization to do so from each of the two GCF Counterparties to the GCF-Authorized Inter-Dealer Broker on such Transaction. FICC is proposing to revise GSD Rule 6C, Section 2 to state that with regard to GCF Repo Transactions, FICC shall not accept data from a GCF-Authorized Inter-Dealer Broker regarding any such GCF Repo Transaction unless FICC previously has received authorization to do so from each of the two GCF Counterparties to the GCF-Authorized Inter-Dealer Broker on such GCF Repo Transaction. FICC believes that these proposed changes would add enhance clarity by adding

more specificity and would not impact the rights and obligations of Members.

Specifically, FICC is proposing to make the following changes:

- In the definition of Market Value in GSD Rule 1, FICC would revise Transaction to GCF Repo Transaction.
- In the definition of Redemption Adjustment Payment in GSD Rule 1, FICC would revise Transaction to Repo Transaction.
- In the second sentence of the definition of Start Leg in GSD Rule 1, FICC would revise Transaction to GCF Repo Transaction.
- In GSD Rule 13, Section 1(h), FICC would revise Transaction to Repo Transaction.
- In GSD Rule 6C, Sections 2, 5, and 12, FICC would revise Transaction to GCF Repo Transaction.
- In GSD Rule 6C, Section 12, FICC would revise Repo Transaction to GCF Repo Transaction, and Repo Transactions to GCF Repo Transactions.
- In the Schedule of Required and Other Data Submission Items for GCF Repo Transactions, FICC would revise Transaction to GCF Repo Transaction in the first paragraph.
- In the (i) Schedule of Required and Accepted Data Submission Items for New Securities Collateral and (ii) Schedule of Required and Accepted Data Submission Items for a Substitution, FICC would revise the references from Transaction to Repo Transaction.

#### Proposed Changes To Replace “Obligation” and “obligation” With Defined Terms

FICC also proposes to clarify certain references to “Obligation” and “obligation” in the GSD Rules by replacing these references with the specific defined term, as further described below. For example, currently, Maturity Value in GSD Rule 1 means, as regards a Net Settlement Position, Deliver Obligation, the Redemption Value of the Eligible Netting Securities that comprise such Position or Obligation. FICC would revise this definition to state that, as regards a Net Settlement Position, Deliver Obligation, the Redemption Value of the Eligible Netting Securities that comprise such Net Settlement Position or Deliver Obligation. FICC believes that these proposed changes would add enhance clarity by adding more specificity and would not impact the rights and obligations of Members.

Specifically, FICC proposes to make the following changes:

- In the definition of Maturity Value in GSD Rule 1, FICC would revise Obligation to Deliver Obligation.

- In the definition of Redemption Value in GSD Rule 1, FICC would revise the reference from obligation to Deliver Obligation.

- In the definition of System Value in GSD Rule 1, FICC would revise the reference from Obligation to Deliver Obligation and Receive Obligation.

- In GSD Rule 11, Section 6, FICC would revise the reference from Obligations to Deliver Obligations.

- In GSD Rule 20, Section 3, FICC would revise the references from Obligation to Collateral Allocation Obligation, and Obligations to Collateral Allocation Obligations.

- In GSD Rule 20, Section 5, FICC would revise Obligations to Collateral Allocation Obligations.

- In GSD Rule 22A, Section 2(b), FICC would revise outstanding deliver and receive obligations to outstanding Deliver Obligations and Receive Obligations.

#### Proposed Changes To Replace Certain References Related Collateral, Allocations of Collateral and Entitlements With Respect to Collateral With Specific Defined Terms

FICC also proposes to clarify certain references related to Collateral Allocation Obligations with the specific defined term, as further described below. FICC believes these proposed changes would enhance accuracy by adding more specificity and would not impact the rights and obligations of Members.

Specifically, FICC proposes to make the following changes:

- In GSD Rule 20, Section 3, FICC proposes to revise the reference from allocation to Collateral Allocation Obligation.

- In the definition of System Value in GSD Rule 1, FICC proposes to revise the reference from Collateral to Existing Securities Collateral and New Securities Collateral.

- In GSD Rule 20, Section 5, FICC would revise Entitlements to Collateral Allocation Entitlements.

#### 26. Other Clarifications

FICC proposes to make certain other clarifications to enhance accuracy and clarity, as further described below.

In GSD Rule 3B, Section 13(b), FICC would revise the references from “components” to “payments and marks” when referring to the items that comprise the Funds-Only Settlement Amount that are listed in GSD Rule 13, Section 1 to enhance accuracy and clarity. Currently, GSD Rule 3B, Section 13(b) states that the following components of Section 1 of GSD Rule 13 will apply to Netting Members with

respect to CCIT Transactions (such components will apply as they apply to GCF Repo Transactions except as noted below). FICC would revise GSD Rule 3B, Section 13(b) to state that the following payments and marks of Section 1 of GSD Rule 13 will apply to Netting Members with respect to CCIT Transactions (such payments and marks will apply as they apply to GCF Repo Transactions except as noted below). FICC believes it would enhance accuracy to describe these as payments and marks because the Funds-Only Settlement Amount is comprised of items such as the Credit Transaction Adjustment Payment and the Credit Fail Mark Adjustment Payment. These proposed changes to GSD Rule 3B would not change the substance of this rule and as such, FICC does not believe that these proposed changes would impact the rights and obligations of Members.

In GSD Rule 3B, Section 11(a)(iv), FICC would clarify the phrase “GCF Repo Service Generic CUSIP Number” by revising it to state “Generic CUSIP Number approved for the GCF Repo Service.” Because GCF Service Generic CUSIP Number is not a defined term, FICC believes this proposed change to use the defined terms “Generic CUSIP Number” and “GCF Repo Service” would enhance clarity and accuracy. This proposed change would not change the substance of this rule and as such, FICC does not believe that this proposed change would impact the rights and obligations of Members.

In GSD Rule 5, Section 1, FICC would remove “comparison requested” and make conforming changes to remove the parentheses in Item 3 of this section. FICC would also clarify in Item 3 that a comparison is requested with regard to an advisory. As such, GSD Rule 5, Section 1 would state that as trade data are submitted to FICC, FICC will generate output indicating that such trade data: (1) is compared, (2) is uncomparing, (3) comparison is requested with regard to an advisory and/or (4) has been deleted from the Comparison System. FICC is proposing to make this Item 3 more descriptive of the process that occurs when Member 1 submits a trade against Member 2. Specifically, when Member 1 submits a trade against Member 2, Member 2 sees an advisory. As such, this proposed change is a clarification and would not change the substance of the Rule and therefore, FICC does not believe that this proposed change would impact the rights and obligations of Members.

In GSD Rule 11, Section 14, FICC would revise “Government Securities Division’s services” to “Corporation’s

services.” This proposed change to use the defined term for Fixed Income Clearing Corporation, the owner of the Government Securities Division would not change the substance of this rule and as such, FICC does not believe that this proposed change would impact the rights and obligations of Members.

In GSD Rule 29, Section (f), FICC is proposing to revise the references from “the Securities Industry and Financial Markets Association” and “The Securities Industry and Financial Markets Association” to “SIFMA” to reflect the proposed defined term. This proposed change to use the proposed defined term for the Securities Industry and Financial Markets Association would not change the substance of this rule and as such, FICC does not believe that this proposed change would impact the rights and obligations of Members.

### C. Technical Changes

FICC is also proposing to make technical changes to the Rules, which include correcting typographical errors, grammar, and making conforming changes, as set forth in Exhibit 5 to this filing.

Examples of correcting typographical errors: FICC would add a hyphen between “one time” in Sections I.G and I.H of the Fee Structure of the GSD Rules, and after the word “the” in the definition of “Off-the Market Transaction” in GSD Rule 1. FICC would add a hyphen after the word “Funds” in the references to “Funds Only Settlement Amount” in the third paragraph of GSD Rule 13, Section 2. FICC would remove the dashes in the Schedule of Timeframes in the GSD Rules to be consistent with the other schedules. FICC would remove a comma between the words “for” and “New Securities Collateral” in GSD Rule 18, Section 3(c). FICC would revise the section reference in GSD Rule 18, Section 3(c) from Section 4 to Section 3 to correct a typographical error. FICC would revise the numbering in GSD Rule 3B from Sections 2(d) and 2(e) to Sections 2(b) and 2(c), respectively.

Examples of grammatical changes: FICC would revise “insure” to “ensure” in GSD Rule 40, Section 3, MBSD Rule 5, Section 4, and MBSD Rule 31, Section 3. FICC would remove the comma that appears between “Collateral” and “Forward-Starting Repos” in the title of GSD Rule 18, Section 4. FICC would add a comma after the word hereinafter in the second paragraph of GSD Rule 3, Section 13, and add a period at the end of GSD Rule 3 Section 11(d). FICC would revise deadline to deadlines in GSD Rule 18, Section 3(d), and add “or banks” and “bank or” in the second

paragraph of GSD Rule 12, Section 2 to clarify that there may be one or more clearing banks. FICC would add the word “their” before the first reference to “Brokered Repo Transaction” in GSD Rule 19, Section 3.

Examples of conforming changes: As described above, in GSD Rule 13, Section 2, FICC is proposing to add a component as new subsection (d). As such, FICC would renumber the current subsections (d), (e), (f), (g), (h), (i), (j), (k), (l), (m), (n), and (o) to (e), (f), (g), (h), (i), (j), (k), (l), (m), (n), (o), and (p), respectively. FICC would add “hereinafter, the” or “hereinafter,” as applicable, before certain defined terms in GSD Rule 3, Sections 7 and 13; GSD Rule 3A, Section 18; GSD Rule 3B, Sections 5, 6, 9, 14; GSD Rule 4, Sections 2, 2a, 7, 7a, 7b; GSD Rule 11, Section 14; GSD Rule 18, Section 2; GSD Rule 20, Sections 3 and 3b; GSD Rule 37, Section 2; and Section XIV of the Fee Structure in the GSD Rules. FICC would replace the parentheses with quotation marks around the letter P in Item 6 of the Schedule of Required Data Submission Items in the GSD Rules to be consistent with the formatting of the other items listed in Item 6. In the Schedule of Money Tolerances in the GSD Rules, FICC would revise “buy-sell” to “buy/sell.”

### 2. Statutory Basis

Section 17A(b)(3)(F) of the Act requires, in part, that the Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions.<sup>26</sup>

The proposed changes to correct and clarify the Rules and to make technical changes to the Rules are designed to make the Rules accurate and clearer to Members. When Members better understand their rights and obligations as set forth in the Rules, such Members are more likely to act in accordance with the Rules, which FICC believes would promote the prompt and accurate clearance and settlement of securities transactions. As such, FICC believes the proposed changes would be consistent with Section 17A(b)(3)(F) of the Act.<sup>27</sup>

### (B) Clearing Agency’s Statement on Burden on Competition

FICC does not believe the proposed rule changes to correct and clarify the Rules and to make technical changes to the Rules, as described above, would impact competition. The proposed rule changes are designed to make the Rules accurate and clearer to Members. These proposed changes would not affect

FICC’s operations or the rights and obligations Members. As such, FICC believes the proposed rule 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 nor 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 <https://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 Commission’s Division of Trading and Markets at [tradingandmarkets@sec.gov](mailto:tradingandmarkets@sec.gov) or 202-551-5777. FICC reserves the right to not respond to any comments received.

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

Because the foregoing proposed rule change does not:

- (i) significantly affect the protection of investors or the public interest;
- (ii) impose any significant burden on competition; and
- (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>28</sup> and Rule 19b-4(f)(6) thereunder.<sup>29</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of

<sup>26</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>27</sup> *Id.*

<sup>28</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>29</sup> 17 CFR 240.19b-4(f)(6).

investors, or otherwise in furtherance of the purposes of the Act.

#### 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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-FICC-2023-009 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-2023-009. This file number should be included on the subject line if email 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 (<https://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 a.m. and 3 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 (<https://dtcc.com/legal/sec-rule-filings.aspx>). 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-2023-009 and should be submitted on or before August 9, 2023.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>30</sup>

**J. Matthew DeLesDernier,**

*Deputy Secretary.*

[FR Doc. 2023-15265 Filed 7-18-23; 8:45 am]

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-97896; File No. SR-PEARL-2023-30]

#### Self-Regulatory Organizations; MIAx PEARL, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fee Schedule

July 13, 2023.

Pursuant to Section 19(b)(1) <sup>1</sup> of the Securities Exchange Act of 1934 (the "Act") <sup>2</sup> and Rule 19b-4 thereunder, <sup>3</sup> notice is hereby given that, on June 29, 2023, MIAx PEARL, LLC ("MIAx Pearl" or "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is filing a proposal to amend the MIAx Pearl Options Fee Schedule ("Fee Schedule").

The text of the proposed rule change is available on the Exchange's website at <https://www.miaxglobal.com/markets/us-options/pearl-options/rule-filings> at MIAx Pearl's principal office, and at the Commission's Public Reference Room.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange 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 Exchange has prepared summaries, set forth in sections A, B, and C below, of

the most significant aspects of such statements.

#### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory

Basis for, the Proposed Rule Change

##### 1. Purpose

The Exchange proposes to amend the exchange groupings of options exchanges within the routing fee table in Section 1)b) of the Fee Schedule, Fees for Customer Orders Routed to Another Options Exchange, to adjust the groupings of options exchanges and to adopt new routing fees.

Currently, the Exchange assesses routing fees based upon (i) the origin type of the order, (ii) whether or not it is an order for standard option classes in the Penny Interval Program <sup>4</sup> ("Penny classes") or an order for standard option classes which are not in the Penny Interval Program ("Non-Penny classes") (or other explicitly identified classes), and (iii) to which away market it is being routed. This assessment practice is identical to the routing fees assessment practice currently utilized by the Exchange's affiliates, Miami International Securities Exchange, LLC ("MIAx Options") and MIAx Emerald, LLC ("MIAx Emerald"). This is also similar to the methodology utilized by the Cboe BZX Exchange, Inc. ("Cboe BZX Options"), a competing options exchange, in assessing routing fees. Cboe BZX Options has exchange groupings in its fee schedule, similar to those of the Exchange, whereby several exchanges are grouped into the same category, dependent upon the order's origin type and whether it is a Penny or Non-Penny class.<sup>5</sup>

As a result of conducting a periodic review of the current transaction fees and rebates charged by away markets, the Exchange has determined to amend the exchange groupings of options exchanges within the routing fee table to better reflect the associated costs of routing customer orders to those options exchanges for execution. Specifically, the Exchange is proposing to create a separate group for Nasdaq MRX as a result of a recent proposal by that exchange to amend its fee schedule.<sup>6</sup>

<sup>4</sup> See Exchange Rule 510(c).

<sup>5</sup> See Cboe U.S. Options Fee Schedules, BZX Options, effective May 15, 2023, "Fee Codes and Associated Fees," at [https://www.cboe.com/us/options/membership/fee\\_schedule/bzx/](https://www.cboe.com/us/options/membership/fee_schedule/bzx/).

<sup>6</sup> The Nasdaq MRX proposal (SR-MRX-2023-11) amends their fee schedule to change the Taker Fee in Penny symbols in Tier 1 from \$0.00 to \$0.15 for Priority Customer Orders and from \$0.00 in Tier 1 for Priority Customer Orders in Non-Penny symbols to \$0.35.

<sup>30</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.