

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-101340; File No. SR-FICC-2024-009)

October 15, 2024

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Partial Amendment No. 1 to Proposed Rule Change To Modify the GSD Rules Relating to the Adoption of a Trade Submission Requirement

On June 12, 2024, Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change SR-FICC-2024-009 (“Proposed Rule Change”) pursuant to Section 19(b) of the Securities Exchange Act of 1934 (“Exchange Act”)<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder to modify FICC’s Government Securities Division (“GSD”) Rulebook (“GSD Rules”) as it relates to the adoption of a requirement for its direct participants to submit for clearance and settlement all eligible secondary market transactions in U.S. Treasury securities to which such direct participant is a counterparty. The Proposed Rule Change was published for comment in the *Federal Register* on July 1, 2024.<sup>3</sup> The Commission has received comments regarding the substance of the changes proposed in the Proposed Rule Change.<sup>4</sup>

On August 16, 2024, pursuant to Section 19(b)(2) of the Exchange Act,<sup>5</sup> the Commission designated a longer period within which to approve, disapprove, or institute proceedings to

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Securities Exchange Act Release No. 100417 (June 25, 2024), 89 FR 54602 (July 1, 2024) (File No. SR-FICC-2024-009) (“Notice of Filing”).

<sup>4</sup> Comments on the Proposed Rule Change are available at <https://www.sec.gov/comments/sr-ficc-2024-009/srficc2024009.htm>.

<sup>5</sup> 15 U.S.C. 78s(b)(2).

determine whether to approve or disapprove the Proposed Rule Change.<sup>6</sup>

On September 26, 2024, pursuant to Section 19(b)(2)(B) of the Exchange Act,<sup>7</sup> the Commission instituted proceedings to determine whether to approve or disapprove the Proposed Rule Change.<sup>8</sup>

On September 24, 2024, FICC filed Partial Amendment No. 1 to the Proposed Rule Change.<sup>9</sup> Pursuant to Section 19(b)(1) of the Act<sup>10</sup> and Rule 19b-4 thereunder,<sup>11</sup> the Commission is publishing notice of this Partial Amendment No.1 to the Proposed Rule Change as described in Item I below. The Commission is publishing this notice to solicit comment on Partial Amendment No. 1 from interested persons.

I. Summary of the Terms of Substance of Partial Amendment No. 1 to the Proposed Rule Change

FICC filed Partial Amendment No. 1 to its previously submitted Proposed Rule Change, which would make several changes to FICC's GSD Rules to (1) adopt a membership requirement that all Netting Members submit to FICC for clearance and settlement eligible secondary market transactions to which they are a counterparty and defines the scope of such trade submission requirement; (2) adopt ongoing membership requirements to enable FICC to

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<sup>6</sup> Securities Exchange Act Release No. 100693 (Aug. 12, 2024), 89 FR 66746 (Aug. 16, 2024) (File No. SR-FICC-2024-009).

<sup>7</sup> 15 U.S.C. 78s(b)(2).

<sup>8</sup> Securities Exchange Act Release No. 101194 (Sep. 26, 2024), 89 FR 80296 (Oct. 02, 2024) (File No. SR-FICC-2024-009).

<sup>9</sup> Text of the proposed changes made by the Partial Amendment No. 1 to the Proposed Rule Change is available at <https://www.sec.gov/comments/sr-ficc-2024-009/srficc2024009-524075-1504142.pdf>. The GSD Rules are *available at* [https://www.dtcc.com/~media/Files/Downloads/legal/rules/ficc\\_gov\\_rules.pdf](https://www.dtcc.com/~media/Files/Downloads/legal/rules/ficc_gov_rules.pdf). Terms not otherwise defined herein are defined in the GSD Rules or in the Proposed Rule Change.

<sup>10</sup> 15 U.S.C. 78s(b)(1)

<sup>11</sup> 17 CFR 240.19b-4.

identify and monitor Netting Members' ongoing compliance with the proposed trade submission requirements; (3) amend certain initial qualifications for direct membership with GSD and the ongoing membership obligations of Netting Members; and (4) makes other revisions to the Rules to clarify, conform and enhance the disclosure of the Rules. Partial Amendment No. 1 makes several changes within the first three categories above.

Within category (1) regarding FICC's proposed adoption of a membership requirement that all Netting Members submit to FICC for clearance and settlement eligible secondary market transactions to which they are a counterparty and defines the scope of such trade submission requirement, Partial Amendment No. 1 makes the following changes. First, as originally proposed, the Proposed Rule Change would require all Netting Members to submit to FICC all Eligible Secondary Market Transactions for novation as a condition of membership.<sup>12</sup> Partial Amendment No. 1 would revise the Proposed Rule Change to clarify that Netting Members would be able to submit Eligible Secondary Market Transactions for novation to any Covered Clearing Agency that provides central counterparty services for transactions in U.S. Treasury securities.<sup>13</sup> Second, Partial Amendment No. 1 would delete text from the existing rule regarding FICC's initial membership requirements that currently requires Netting Members to, as part of the Membership Agreement, submit to FICC for comparison, pursuant to Rule 5, data on all eligible trades with other Netting Members. Third, Partial Amendment No. 1 would delete certain text from an existing rule regarding FICC's Comparison System, to accommodate the changes to the trade submission requirement. Specifically, it would text stating that a member of

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<sup>12</sup> Notice of Filing *supra* note 3.

<sup>13</sup> Additionally, Partial Amendment No. 1 would include a definition of the term "Covered Clearing Agency" which shall have the meaning of that term in Rule 17Ad-22(a)(5) under the Exchange Act.

FICC's Comparison System must submit to FICC for comparison trade data on all of its trades that are of the type processed by FICC (including trades executed and settled on the same day), calling for delivery of Eligible Securities, between it or an Executing Firm on whose behalf it is acting, and another Member or an Executing Firm on whose behalf it or another Member is acting, that if FICC determines that a Comparison-Only Member has, without good cause, violated its obligations pursuant to this section, such Comparison-Only Member may be reported to the appropriate regulatory body, placed on the Watch List and/or subject to an additional fee, and that, in addition, FICC may discipline a Comparison-Only Member for a violation of this section of the rule regarding FICC's Comparison System, in accordance with Rule 48.

Within category (2) regarding FICC's proposed adoption of ongoing membership requirements to enable FICC to identify and monitor Netting Members' ongoing compliance with the proposed trade submission requirement, Partial Amendment No. 1 makes the following changes. First, with regard to the proposed Annual Trade Submission Requirement, Partial Amendment No. 1 would add language that a Netting Member shall not be required to submit an Annual Trade Submission Attestation in the same calendar year in which it delivers to FICC its required Triennial Independent Trade Submission Report. Partial Amendment No. 1 would also add language regarding item (iv) of the required attestations in the Annual Trade Submission Requirement that the Netting Member has, at all times during the 12 months prior to the date of the attestation, complied with the trade submission requirement in Rule 5. Specifically, it would amend this item to add that this attestation is other than with respect to matters that the Netting Member has, of the date of the Annual Trade Submission Attestation, disclosed to FICC pursuant to the Rules.

Second, regarding the Triennial Independent Trade Submission Review and Report, Partial Amendment No. 1 would add language stating that FICC will stagger the years in which Netting Members are required to conduct their Triennial Independent Trade Submission Review. Additionally, Partial Amendment No. 1 would add language that FICC shall make available to Netting Members a list of independent third parties that have been approved to conduct a Triennial Independent Trade Submission Review, that Netting Members may request that FICC include additional third parties to such list, at FICC's sole discretion, and that FICC shall make available to Netting Members standard frameworks for the completion of the Triennial Independent Trade Submission Review and Report.

Within category (3) regarding FICC's amendment of certain initial qualifications for direct membership with GSD and the ongoing membership obligations of Netting Members, Partial Amendment No. 1 makes the following changes. First, Partial Amendment No. 1 would amend the ongoing membership requirements to add language that requires Members to notify FICC if compliance with any membership requirements of FICC would cause a Member to violate an applicable law, rule or regulation. The additional language also states that FICC shall work with such Member to modify a requirement or request so that compliance would not cause such violation.

Second, Partial Amendment No. 1 would also amend the initial membership requirements to add language that a bank or trust company shall have one membership and may apply to be a Netting member through either its parent bank entity or through a branch of the bank.

Partial Amendment No. 1 would not change the purpose of, or statutory basis for the proposed rule change. All other representations in the Initial Filing remain as stated therein and

no other changes are being made.

## II. 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-regulations/self-regulatory-organization-rulemaking>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-FICC-2024-009 on the subject line.

### Paper Comments:

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

All submissions should refer to File Number SR-FICC-2024-009. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between

the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FICC and on DTCC's website at (<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-2024-009 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

**Sherry R. Haywood,**  
*Assistant Secretary.*

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<sup>14</sup> 17 CFR 200.30-3(a)(31).