SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103780; File No. SR-FICC-2025-018]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change to Add Basis Risk Haircut Charge to Certain Models

August 26, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on August 15, 2025, Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change of FICC as provided in Exhibit 5[3] consists of amendments to the GSD Methodology Document – GSD Initial Market Risk Margin Model ("QRM Methodology Document")[4] in order to incorporate the mortgage-backed

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 Capitalized terms used herein and not defined shall have the meaning assigned to such terms in the FICC's Government Securities Division ("GSD") Rulebook ("Rules"), *available at* www.dtcc.com/legal/rules-and-procedures.

4 The QRM Methodology Document was filed as a confidential exhibit in the rule filing and advance notice for GSD sensitivity VaR. *See* Securities Exchange Act Release Nos. 83362 (June 1, 2018), 83 FR 26514 (June 7, 2018) (SR-FICC-2018-001) and 83223 (May 11, 2018), 83 FR 23020 (May 17, 2018) (SR-FICC-2018-801). The QRM Methodology has been subsequently amended. *See* Securities Exchange Act Release Nos. 85944 (May 24, 2019), 84 FR 25315 (May 31, 2019) (SR-FICC-2019-001); 90182 (Oct. 14, 2020), 85 FR 66630 (Oct. 20, 2020) (SR-FICC-2020-009); 93234 (Oct. 1, 2021), 86 FR 55891 (Oct. 7, 2021) (SR-FICC-2021-007); 95605 (Aug.

securities ("MBS") pool/to-be-announced ("TBA") basis risk haircut charge into the MBS haircut model, Minimum Margin Amount ("MMA") model,[5] and Margin Proxy model.[6] In addition, FICC is proposing clarification and technical changes to the QRM Methodology Document.

FICC is requesting confidential treatment of the QRM Methodology Document and has filed it separately with the Secretary of the Commission.[7]

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.

25, 2022), 87 FR 53522 (Aug. 31, 2022) (SR-FICC-2022-005); 97342 (Apr. 21, 2023), 88 FR 25721 (Apr. 27, 2023) (SR-FICC-2023-003); 99447 (Jan. 30, 2024), 89 FR 8260 (Feb. 6, 2024) (SR-FICC-2024-001); and 101569 (Nov. 8, 2024), 89 FR 90109 (Nov. 14, 2024) (SR-FICC-2024-003).

5 The MMA model calculates MMA, which is designed to supplement the value-at-risk ("VaR") model and improve its responsiveness and resilience to extreme market volatility. *See* GSD Margin Component Schedule (definition of "Minimum Margin Amount"), *supra* note 3.

6 The Margin Proxy model calculates Margin Proxy, which is designed as an alternative volatility calculation in the event that the requisite vendor data used for the VaR model is unavailable for an extended period of time. *See* GSD Margin Component Schedule (definition of "Margin Proxy"), *supra* note 3.

7 17 CFR 240.24b-2.

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

1. Purpose

The purpose of this rule filing is to amend the QRM Methodology Document in order to incorporate the MBS pool/TBA basis risk haircut charge into the MBS haircut model, MMA model, and Margin Proxy model. FICC is also proposing to make certain clarification and technical changes to the QRM Methodology Document.

Background

FICC, through GSD, serves as a central counterparty and provider of clearance and settlement services for transactions in U.S. government securities, as well as repurchase and reverse repurchase transactions involving U.S. government securities. GSD also clears and settles certain transactions on securities issued or guaranteed by U.S. government agencies and government sponsored enterprises. For example, through its GCF Repo Service,[8] GSD clears and settles GCF Repo Transactions[9] that can be collateralized with mortgage-backed securities issued or guaranteed by Government National Mortgage Association ("Ginnie Mae"), Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac"). As part of its market risk management strategy, FICC manages its credit exposure to Members by determining the appropriate Required Fund Deposit to the Clearing Fund and monitoring

8 The GCF Repo Service enables dealers to trade general collateral repos based on rate, term and underlying products, throughout the day with Inter-Dealer Broker Netting Members on a blind basis. *See* GSD Rule 1 (definition of "GCF Repo Service"), *supra* note 3.

9 *See* GSD Rule 1 (definition of "GCF Repo Transactions") and GSD Rule 20 (Special Provisions for GCF Repo Transactions), *supra* note 3.

its sufficiency, as provided for in the GSD Rules.[10] The Required Fund Deposit serves as each Member's margin.

The objective of a Member's Required Fund Deposit is to mitigate potential losses to FICC associated with liquidating a Member's portfolio in the event FICC ceases to act for that Member (hereinafter referred to as a "default").[11] The aggregate amount of all Members' Required Fund Deposits constitutes the Clearing Fund. FICC would access the Clearing Fund should a defaulting Member's own Required Fund Deposit be insufficient to satisfy losses to FICC caused by the liquidation of that Member's portfolio.

At GSD, each Member is also responsible for the margin obligations arising from the activity of the Member's indirect participant customers submitted to FICC via the Sponsored Service and/or the Agent Clearing Service. FICC's Sponsored Service permits Members that are approved to be Sponsoring Members, to sponsor certain institutional firms, referred to as "Sponsored Members," into GSD membership.[12] FICC establishes and maintains a "Sponsoring Member Omnibus Account" on its books in which it records the transactions of the Sponsoring Member's Sponsored Members ("Sponsored Member Trades").[13] Similarly, FICC's Agent Clearing Service permits Members that are approved

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10 *See* GSD Rule 4 (Clearing Fund and Loss Allocation), *supra* note 3. FICC's market risk management strategy is designed to comply with Rule 17ad-22(e)(4) under the Act, where these risks are referred to as "credit risks." 17 CFR 240.17ad-22(e)(4).

11 The GSD Rules identify when FICC may cease to act for a Member and the types of actions FICC may take. For example, FICC may suspend a firm's membership with FICC or prohibit or limit a Member's access to FICC's services in the event that Member defaults on a financial or other obligation to FICC. *See* GSD Rule 21 (Restrictions on Access to Services) of the GSD Rules, *supra* note 3.

12 *See* GSD Rule 3A (Sponsoring Members and Sponsored Members), *supra* note 3.

13 *See* GSD Rule 1 (definition of "Sponsored Member Trades"), *supra* note 3.

to be Agent Clearing Members to submit activities of certain institutional firms, referred to as "Executing Firm Customers," into FICC for clearing and settlement. FICC establishes and maintains an "Agent Clearing Member Omnibus Account" on its books in which it records the transactions of the Agent Clearing Member's Executing Firm Customers ("Agent Clearing Transactions").[14]

Both the Sponsoring Members and the Agent Clearing Members have the option of segregating Sponsored Member Trades of a Sponsored Member and Agent Clearing Transactions of an Executing Firm Customer, as applicable, in separate accounts (i.e., Segregated Indirect Participants Accounts), each such Sponsored Member and Executing Firm Customer being referred to as a "Segregated Indirect Participant." FICC manages its credit exposure to Segregated Indirect Participants by determining the appropriate Segregated Customer Margin Requirement and monitoring its sufficiency, as provided for in the Rules.[15]

Pursuant to the Rules, each Member's Required Fund Deposit amount (and Segregated Customer Margin Requirement amount, to the extent applicable) consists of a number of components, each of which is calculated to address specific risks faced by FICC, as identified within the Rules.[16] At GSD, these components include the VaR Charge, Blackout Period Exposure Adjustment, Backtesting Charge, Excess Capital Premium, Holiday Charge, Intraday Supplemental Fund Deposit, Margin Liquidity Adjustment Charge, Portfolio Differential Charge, Volatility Event Charge, and special

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14 *See* GSD Rule 1 (definition of "Agent Clearing Transactions"), *supra* note 3.

15 *See* GSD Margin Component Schedule, *supra* note 3.

16 *Supra* note 3.

charge.[17] The VaR Charge generally comprises the largest portion of a Member's Required Fund Deposit and Segregated Customer Margin Requirement amounts.

The VaR Charge is based on the potential price volatility of unsettled positions using a sensitivity-based Value-at-Risk ("sensitivity VaR") methodology and is designed to cover FICC's projected liquidation losses with respect to a defaulted Member's portfolio at a 99% confidence level. The sensitivity VaR methodology provides an estimate of the possible losses for a given portfolio based on: (1) confidence level, (2) a time horizon, and (3) historical market volatility. FICC uses historical simulation to estimate the impact of market volatilities on the Member's portfolio. A haircut method is applied to securities with insufficient requisite data used to employ the sensitivity VaR approach.

VaR Charges (i.e., the sum of the sensitivity VaR and haircuts applied in lieu of the sensitivity VaR) are subject to MMA, which is designed to address the risk that the VaR model calculates a VaR Charge that is too low when current market conditions significantly deviate from historical observation. In addition, FICC can utilize Margin Proxy as a back-up VaR Charge calculation to the sensitivity VaR methodology in the event that FICC experiences a data disruption with its third-party vendor.

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[17] These margin components and the relevant defined terms are located in GSD Rule 1 (Definitions) and/or the GSD Margin Component Schedule, *supra* note 3. FICC recently proposed changes to the GSD Rules to adopt an Intraday Mark-to-Market Charge. *See* Securities Exchange Release No. 102705 (Mar. 21, 2025), 90 FR 13965 (Mar. 27, 2025) (SR-FICC-2025-005).

Incorporating MBS Pool/TBA Basis Risk Haircut Charge

The QRM Methodology Document provides the methodology by which FICC calculates the VaR Charge, MMA, and Margin Proxy. The QRM Methodology Document specifies model inputs, parameters and assumptions, among other information.

Under the sensitivity VaR methodology, each MBS pool position is mapped to a corresponding TBA, and FICC uses the risk exposure analytics for the TBA as an estimate for the MBS pool position's risk exposure analytics. To account for differences in the returns between an MBS pool position and the corresponding TBA, FICC applies a basis risk adjustment (i.e., the MBS pool/TBA basis risk haircut charge).

The majority of fixed-rate mortgage ("FRM") pools can be mapped to TBAs; however, all adjustable-rate mortgage ("ARM") pools[18] and a small portion of the FRM pools[19] cannot be mapped to TBAs. For any MBS pool position that cannot be mapped to a TBA, FICC applies a haircut to the MBS pool position (i.e., MBS haircut model). Currently, unlike the sensitivity VaR methodology, the MBS haircut model does not take into account the differences in returns between an MBS pool position and the TBA (i.e., it does not reflect the MBS pool/TBA basis spread risk). In order to strengthen FICC's coverage of market risk exposure associated with MBS pool positions, FICC is proposing changes to incorporate the MBS pool/TBA basis risk haircut charge into the MBS haircut model.

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[18] The ARM pools cannot be mapped to TBAs due to the lack of liquidity of ARM TBAs.

[19] A small portion of FRM pools cannot be mapped to TBAs when there are no TBAs with matching coupon rates.

Similarly, the haircut rates being applied to the MBS pool positions in the MMA and Margin Proxy models are calculated based on TBA prices and currently do not take into account the differences in returns between an MBS pool position and the TBA (i.e., it does not reflect the MBS pool/TBA basis spread risk). Accordingly, in order to strengthen FICC's coverage of market risk exposure associated with MBS pool positions, FICC is also proposing changes to incorporate the MBS pool/TBA basis risk haircut charge into the MMA and Margin Proxy models.

FICC is proposing to add new language and make changes to a table as well as a formula in the QRM Methodology Document in order to reflect the addition of the MBS pool/TBA basis risk haircut charge to the MBS haircut model, MMA model, and Margin Proxy model. Specifically, in the subsection of the QRM Methodology Document that describes basis risk between MBS pools and TBA, FICC would add two paragraphs to reflect that basis risk charge would be included in haircut charges calculated for (1) MBS haircut model with respect to MBS pools that cannot be mapped to a TBA and (2) Margin Proxy model with respect to all MBS pools. In addition, in the subsection of the QRM Methodology Document that describes the program of money-ness of a pool, FICC is proposing to add a new paragraph regarding the applicable basis haircut rate, which is used to calculate basis risk charge, for ARM pools. Moreover, in the subsection of the QRM Methodology Document that describes basis risk calculation in Margin Proxy, FICC is proposing to enhance the description by adding a new paragraph to note certain similarities and potential differences between the basis risk charge calculation for Margin Proxy model as compared to the other models. FICC is also proposing to update a table in the MMA section of the QRM Methodology Document to reflect the addition of the MBS

pool/TBA basis risk haircut charge in the MMA calculation with respect to MBS pool positions. Lastly, FICC is proposing to update a formula in the Margin Proxy section of the QRM Methodology Document to incorporate the MBS pool/TBA basis risk haircut charge.

Certain Clarification and Technical Changes to the QRM Methodology

FICC is proposing to make certain clarification and technical changes to the QRM Methodology Document.

Specifically, in the subsection of the QRM Methodology Document that describes market risks associated with products cleared by GSD, FICC would clarify that the application of the MBS pool/TBA basis risk haircut charge would not be limited to mapped MBS pool positions. Similarly, in the subsection of the QRM Methodology Document that describes the program and money-ness of a pool, FICC is proposing changes to make it clear that the applicability of the money-ness formula in that subsection would not be limited to mapped MBS pool positions.

FICC is proposing a technical change in the list of key parameters section in the QRM Methodology Document to replace an outdated section reference. FICC is also proposing a technical change in the haircut methodology section to correct a typographical error in the haircut formula for unmapped MBS pools.

Impact Study

FICC performed an impact study for the period beginning April 1, 2024 through March 31, 2025 ("Impact Study Period"). If the proposed rule change had been in place during the Impact Study Period compared to the existing GSD Rules, the aggregated average daily start-of-day ("SOD") VaR Charges would have increased by approximately

$56.31 million or 0.12%. The impact study indicated that if the proposed rule change had been in place, the VaR model backtesting coverage would have remained unchanged at approximately 99.72% during the Impact Study Period. Specifically, if the proposed rule change had been in place during the Impact Study Period, the number of VaR model backtesting deficiencies would have remained unchanged at 115.

Margin Proxy was not deployed during the Impact Study Period; however, if the proposed rule change had been in place and the Margin Proxy were deployed during the Impact Study period, the aggregated average daily SOD VaR Charges would have increased by approximately $2.13 billion or 4.94%. The impact study also indicated that if the proposed rule change had been in place and the Margin Proxy were deployed, the VaR model backtesting coverage would have increased from approximately 99.68% to 99.71% during the Impact Study Period. Specifically, if the proposed rule change had been in place and the Margin Proxy were deployed during the Impact Study Period, the number of the VaR model backtesting deficiencies would have been reduced by 11 (from 130 to119, or approximately 8.5%).

Impact to Members over the Impact Study Period

If the proposed rule change had been in place during the Impact Study Period compared to the existing GSD Rules, on average, at the Member Margin Portfolio level, the proposed rule change would have increased the SOD VaR Charge by approximately $0.27 million, or 0.31%, over the Impact Study Period. The largest average percentage increase in SOD VaR Charge for any Member Margin Portfolio would have been approximately 35.15%, or $0.34 million. The largest average dollar increase in SOD VaR

Charge for any Member Margin Portfolio would have been approximately $8.33 million, or 0.19%.

If the proposed rule change had been in place and the Margin Proxy were deployed during the Impact Study period, on average, at the Member Margin Portfolio level, the proposed rule change would have increased the SOD VaR Charge by approximately $10.32 million, or 4.04% over the Impact Study Period. The largest average percentage increase in SOD VaR Charge for any Member Margin Portfolio would have been approximately 110.5%, or $175.30 million. The largest average dollar increase in SOD VaR Charge for any Member Margin Portfolio would have been approximately $187.17 million, or 14.97%.

Implementation Timeframe

FICC would implement the proposed rule changes by no later than 60 Business Days after the approval of the proposed rule change by the Commission. FICC would announce the effective date of the proposed changes by an Important Notice posted to its website.

2. Statutory Basis

FICC believes this proposal is consistent with the requirements of the Act, and the rules and regulations thereunder applicable to a registered clearing agency. Specifically, FICC believes that the proposed change is consistent with Section 17A(b)(3)(F) of the Act[20] and Rules 17ad-22(e)(4)(i) and (e)(6)(i) promulgated thereunder[21] for the reasons described below.

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[20] 15 U.S.C. 78q-1(b)(3)(F).

[21] 17 CFR 240.17ad-22(e)(4)(i) and (e)(6)(i).

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to, among other things, assure the safeguarding of securities and funds which are in the custody or control of the clearing agency.[22] FICC believes the proposed change to incorporate the MBS pool/TBA basis risk haircut charge into the MBS haircut model, MMA model, and Margin Proxy model is designed to assure the safeguarding of securities and funds which are in its custody or control because it is designed to mitigate FICC's risk exposure from the MBS pool positions held in Members' portfolios. Specifically, the proposed enhancement would allow FICC to collect financial resources to mitigate MBS pool/TBA basis spread risk resulting from MBS pool positions held in Members' portfolios.

The Clearing Fund/Segregated Customer Margin is a key tool that FICC uses to mitigate potential losses to FICC associated with liquidating a Member's portfolio in the event of Member default. Therefore, the proposed change to incorporate the MBS pool/TBA basis risk haircut charge into the MBS haircut model, MMA model, and Margin Proxy model would enable FICC to better address MBS pool/TBA basis spread risk resulting from MBS pool positions held in Members' portfolios such that, in the event of Member default, FICC's operations would not be disrupted, and non-defaulting Members would not be exposed to losses they cannot anticipate or control. In this way, the proposed change to incorporate the MBS pool/TBA basis risk haircut charge into the MBS haircut model, MMA model, and Margin Proxy model would assure the

22 15 U.S.C. 78q-1(b)(3)(F).

safeguarding of securities and funds which are in the custody or control of FICC, consistent with Section 17A(b)(3)(F) of the Act.[23]

FICC believes the proposed change to make clarification and technical changes to the QRM Methodology Document would enhance the clarity and accuracy of the QRM Methodology Document for FICC. The QRM Methodology Document is used by FICC risk management personnel regarding the calculation of margin requirements. Having a clear and accurate QRM Methodology Document would help facilitate the accurate and smooth functioning of the margining process at FICC. The changes referenced in this paragraph would promote such clarity and accuracy. This would in turn allow FICC risk management to charge Members an appropriate level of margin. As such, FICC believes that the proposed clarification and technical changes to the QRM Methodology Document would assure the safeguarding of securities and funds which are in the custody or control of FICC, consistent with Section 17A(b)(3)(F) of the Act.[24]

The proposed change to incorporate the MBS pool/TBA basis risk haircut charge into the MBS haircut model, MMA model, and Margin Proxy model has also been designed to be consistent with Rules 17ad-22(e)(4)(i) and (e)(6)(i) under the Act.[25] Rule 17ad-22(e)(4)(i) under the Act requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those exposures arising from its payment, clearing, and settlement processes by

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23 *Id.*

24 *Id.*

25 17 CFR 240.17ad-22(e)(4)(i) and (e)(6)(i).

maintaining sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence.[26] As described above, the proposed change to the MBS haircut, MMA, and Margin Proxy models would help address the identification, measurement, monitoring and management of credit exposures that may arise from MBS pool positions held in Members' portfolios. By incorporating the MBS pool/TBA basis risk haircut charge into the MBS haircut, MMA, and Margin Proxy models, the proposed change would enable FICC to have rule provisions that are reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to Members and those exposures arising from its payment, clearing, and settlement processes, which FICC believes is consistent with Rule 17ad-22(e)(4)(i). Moreover, the proposed change would enable FICC to better identify, measure, monitor, and, through the collection of Members' Required Fund Deposits and Segregated Customer Margin Requirements, manage its credit exposures to Members by maintaining sufficient resources to cover those credit exposures fully with a high degree of confidence. Proposed change to the MBS haircut, MMA, and Margin Proxy models as described above would help to ensure that the risk exposure from MBS pool positions held in Members' portfolios is adequately identified, measured and monitored. It would help ensure that the margin that FICC collects from Members is sufficient to mitigate the credit exposure presented by the Members. As a result, FICC believes that the proposal would enhance FICC's ability to effectively identify, measure, and monitor its credit exposures and would enhance its ability to maintain sufficient financial resources to cover its credit exposure to each

[26] 17 CFR 240.17ad-22(e)(4)(i).

participant fully with a high degree of confidence, consistent with the requirements of Rule 17ad-22(e)(4)(i) under the Act.[27]

Rule 17ad-22(e)(6)(i) under the Act requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market.[28] FICC believes that the proposed change to incorporate the MBS pool/TBA basis risk haircut charge into the MBS haircut model, MMA model, and Margin Proxy model is consistent with the requirements of Rule 17ad-22(e)(6)(i) cited above. The Required Fund Deposits and Segregated Customer Margin Requirements are comprised of risk-based components (as margin) that are calculated and assessed daily to limit FICC's credit exposures to Members. FICC is proposing a change that is designed to make the MBS haircut, MMA, and Margin Proxy models more effective in measuring and addressing MBS pool/TBA basis spread risk. The proposed change to the MBS haircut, MMA, and Margin Proxy models would help to ensure that margin levels are commensurate with the risk exposure arise from MBS pool positions held in each Member portfolio. It would help ensure that the margin that FICC collects from Members is sufficient to mitigate the credit exposure presented by the Members. Overall, this proposed change would allow FICC to more effectively address the risks presented by Members. In this way, the proposed change to incorporate the MBS pool/TBA basis risk

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27 *Id.*

28 17 CFR 240.17ad-22(e)(6)(i).

haircut charge into the MBS haircut model, MMA model, and Margin Proxy model would enhance the ability of FICC to produce margin levels commensurate with the risks and particular attributes of each relevant product, portfolio, and market. As such, FICC believes that this proposed change is consistent with the requirements of Rule 17ad-22(e)(6)(i) under the Act.[29]

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

FICC believes the proposed change to incorporate the MBS pool/TBA basis risk haircut charge into the MBS haircut model, MMA model, and Margin Proxy model could impose a burden on competition. As a result of this proposed change, participants may experience increases in their Required Fund Deposits and/or Segregated Customer Margin Requirements. Such increases could burden participants that have lower operating margins or higher costs of capital than other participants. It is not clear whether the burden on competition would necessarily be significant because it would depend on whether the affected participants were similarly situated in terms of business type and size; however, based on the impact study conducted by FICC (as described above), if Margin Proxy were deployed, the burden on competition could be significant. Regardless of whether the burden on competition is significant, FICC believes that any burden on competition would be necessary and appropriate in furtherance of the purposes of the Act.

Specifically, FICC believes that this proposed change would be necessary in furtherance of the Act, as described in this filing and further below. FICC believes that the above-described burden on competition that may be created by this proposed change

29 *Id.*

is necessary. This is because the rules of a clearing agency must be designed to assure the safeguarding of securities and funds that are in FICC's custody or control, consistent with Section 17A(b)(3)(F).[30] As described above, FICC believes that the proposed change to the MBS haircut, MMA, and Margin Proxy models as described above would enable FICC to further improve margin resilience with respect to MBS pool positions held in Members' portfolios such that, in the event of Member default, FICC's operations would not be disrupted and non-defaulting Members would not be exposed to losses they cannot anticipate or control. As such, this proposed change is designed to assure the safeguarding of securities and funds which are in the custody or control of FICC, consistent with Section 17A(b)(3)(F) of the Act.

FICC also believes the proposed change to incorporate the MBS pool/TBA basis risk haircut charge into the MBS haircut model, MMA model, and Margin Proxy model is necessary to support FICC's compliance with Rules 17ad-22(e)(4)(i) and (e)(6)(i) under the Act,[31] which require FICC to establish, implement, maintain, and enforce written policies and procedures reasonably designed to (x) effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes and (y) cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market.

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30 15 U.S.C. 78q-1(b)(3)(F).

31 17 CFR 240.17ad-22(e)(4)(i) and (e)(6)(i).

As described above, FICC believes that the proposed change to the MBS haircut, MMA, and Margin Proxy models would allow FICC to better mitigate risk exposure resulting from MBS pool positions held in Members' portfolios by incorporating the MBS pool/TBA basis spread risk. Accordingly, FICC believes that this proposed change would allow FICC to effectively identify, measure, monitor, and manage its credit exposures to participants and better limit FICC's credit exposures to participants and cover its credit exposures to its participants by producing margin levels commensurate with the risks and particular attributes of each relevant product and portfolio, consistent with the requirements of Rules 17ad-22(e)(4)(i) and (e)(6)(i) under the Act.[32]

FICC also believes that the above-described burden on competition that could be created by the proposed change to the MBS haircut, MMA, and Margin Proxy models would be appropriate in furtherance of the Act because such change has been appropriately designed to assure the safeguarding of securities and funds which are in the custody or control of FICC, as described in detail above. The proposed change to the MBS haircut, MMA, and Margin Proxy models is specifically designed to cover risk exposures from MBS pool positions held in Members' portfolios. Any increase in Required Fund Deposit and/or Segregated Customer Margin Requirement as a result of such proposed change for a particular participant would be in direct relation to the specific risks presented by such participant's portfolio, and each participant's Required Fund Deposit and/or Segregated Customer Margin Requirement would continue to be calculated with the same parameters and at the same confidence level. Therefore, participants with portfolios that present similar risks, regardless of the type of participant,

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32 *Id.*

would have similar impacts on their Required Fund Deposit and/or Segregated Customer Margin Requirement amounts. In addition, the proposed change to the MBS haircut, MMA, and Margin Proxy models would improve the risk-based margining methodology that FICC employs to set margin requirements and better limit FICC's credit exposures to its participants. Therefore, because the proposed change is designed to provide FICC with a more appropriate and complete measure of the risks presented by participants' portfolios, FICC believes this proposed change is appropriately designed to meet its risk management goals and its regulatory obligations.

Accordingly, FICC does not believe that the proposed change to the MBS haircut, MMA, and Margin Proxy models would impose any burden on competition that is not necessary or appropriate in furtherance of the Act.[33]

FICC does not believe the proposed clarification and technical changes to the QRM Methodology Document would have any impact on competition. These proposed changes would enhance the QRM Methodology Document by providing additional clarity and accuracy. The proposed changes referenced above would not advantage or disadvantage any particular Member of FICC or unfairly inhibit access to FICC's services. FICC therefore does not believe these proposed changes would have any impact, or impose any burden, on competition.

[33] 15 U.S.C. 78q-1(b)(3)(I).

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

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

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

All prospective commenters should follow the Commission's instructions on how to submit comments, available at www.sec.gov/rules-regulations/how-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 or 202-551-5777.

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

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

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

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FICC-2025-018 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-2025-018. 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 filing will be available for inspection and copying at the principal office of FICC and on DTCC's website (www.dtcc.com/legal/sec-rule-filings). Do not include personal identifiable information in submissions; you should submit only information that you

wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-FICC-2025-018 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.[34]

Sherry R. Haywood,

Assistant Secretary.

[34] 17 CFR 200.30-3(a)(12).