

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-86876; File No. SR-FICC-2019-801)

September 5, 2019

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Advance Notice to Amend the GSD Rulebook to Establish a Process to Address Liquidity Needs in Certain Situations in the GCF Repo and CCIT Services and Make Other Changes

Pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act entitled the Payment, Clearing, and Settlement Supervision Act of 2010 (“Clearing Supervision Act”)¹ and Rule 19b-4(n)(1)(i) under the Securities Exchange Act of 1934 (“Act”),² notice is hereby given that on August 9, 2019, Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) the advance notice SR-FICC-2019-801 (“Advance Notice”) as described in Items I, II and III below, which Items have been prepared by the clearing agency.³ The Commission is publishing this notice to solicit comments on the Advance Notice from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Advance Notice

This Advance Notice consists of amendments to the FICC Government Securities Division (“GSD”) Rulebook (the “Rules”)⁴ to: (i) establish a new deadline and

¹ 12 U.S.C. 5465(e)(1).

² 17 CFR 240.19b-4(n)(1)(i).

³ On August 9, 2019, FICC filed this Advance Notice as a proposed rule change (SR-FICC-2019-004) with the Commission pursuant to Section 19(b)(1) of the Act, 15 U.S.C. 78s(b)(1), and Rule 19b-4 thereunder, 17 CFR 240.19b-4. A copy of the proposed rule change is available at <http://www.dtcc.com/legal/sec-rule-filings.aspx>.

⁴ Capitalized terms not defined herein are defined in the Rules, available at <http://www.dtcc.com/legal/rules-and-procedures>.

associated late fees for satisfaction of net cash obligations in GCF Repo Transaction⁵ and CCIT Transaction⁶ activity (hereinafter “GCF Repo/CCIT activity”)⁷ and remove the current 6:00 p.m. Collateral Allocation Obligation⁸ deadline; (ii) establish a process to provide liquidity to FICC in situations where a Netting Member or CCIT Member⁹ with a net cash obligation in GCF Repo/CCIT activity, that is otherwise in good standing, is either (1) delayed in satisfying or (2) unable to satisfy its cash obligation (in whole or in

⁵ “GCF Repo Transaction” means a Repo Transaction involving Generic CUSIP Numbers the data on which are submitted to FICC on a Locked-In-Trade basis pursuant to the provisions of Rule 6C, for netting and settlement by FICC pursuant to the provisions of Rule 20. Rule 1, supra note 4.

⁶ “CCIT Transaction” means 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. Rule 1, supra note 4.

⁷ The GCF Repo Service is primarily governed by Rule 20 and enables Netting Members to trade general collateral finance repurchase agreement transactions based on rate, term, and underlying product throughout the day with brokers on a blind basis. The CCIT Service is governed by Rule 3B and enables tri-party repurchase agreement transactions in GCF Repo Securities between Netting Members that participate in the GCF Repo Service and institutional cash lenders (other than investment companies registered under the Investment Company Act of 1940, as amended). Rule 20 and Rule 3B, supra note 4.

⁸ “Collateral Allocation Obligation” means the obligation of a Netting Member to allocate securities or cash for the benefit of FICC to secure such Member’s GCF Net Funds Borrower Position. Rule 1, supra note 4.

⁹ “CCIT™” means Centrally Cleared Institutional Triparty. The terms “Centrally Cleared Institutional Triparty Member” and “CCIT Member” mean a legal entity other than a Registered Investment Company approved to participate in the FICC’s CCIT Service as a cash lender. Rule 1, supra note 4. Eligibility to become a CCIT Member is described in Section 2 of Rule 3B. Rule 3B, Section 2, supra note 4.

part); and (iii) make a clarification, certain technical changes and corrections, all as further described below.

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Advance Notice

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the Advance Notice and discussed any comments it received on the Advance Notice. 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 and B below, of the most significant aspects of such statements.

(A) Clearing Agency's Statement on Comments on the Advance Notice Received from Members, Participants, or Others

Written comments relating to this proposal have not been solicited or received.

FICC will notify the Commission of any written comments received by FICC.

(B) Advance Notice Filed Pursuant to Section 806(e) of the Clearing Supervision Act

Nature of the Proposed Change

The proposed rule change would amend the Rules to: (i) establish a new deadline and associated late fees for satisfaction of net cash obligations in GCF Repo/CCIT activity and remove the current 6:00 p.m. Collateral Allocation Obligation deadline; (ii) establish a process to provide liquidity to FICC in situations where a Netting Member or CCIT Member with a net cash obligation in GCF Repo/CCIT activity, that is otherwise in good standing, is either (1) delayed in satisfying or (2) unable to satisfy its cash obligation (in whole or in part); and (iii) make a clarification, certain technical changes and corrections, all as further described below.

(i) **Proposed change to establish a new deadline and associated late fees for satisfaction of net cash obligations in GCF Repo/CCIT activity and remove the current 6:00 p.m. Collateral Allocation Obligation deadline**

Securities Obligations (Collateral Allocation Obligations)

The Rules (Section 3 of Rule 20, the Schedule of GCF Timeframes and the Fee Structure) currently address a Netting Member's failure to satisfy its Collateral Allocation Obligation on a timely basis.¹⁰ Specifically, Section 3 of Rule 20 states that Collateral Allocation Obligations must be satisfied by a Netting Member within the timeframes established for such by FICC.¹¹ The current deadline in the Schedule of GCF Timeframes for Netting Member allocation of collateral to satisfy securities obligations is 4:30 p.m.¹² This 4:30 p.m. deadline is the first deadline by which Netting Members that have Collateral Allocation Obligations must allocate their securities collateral or be subject to a late fee of \$500 (the late fee is set forth in the Fee Structure of the Rules).¹³ In addition, the Schedule of GCF Timeframes includes a second deadline of 6:00 p.m. by which Netting Members that have Collateral Allocation Obligations must allocate their securities collateral; after 6:00 p.m., FICC will process such collateral allocations on a good faith basis only.¹⁴ These provisions are mirrored in Section 3 of Rule 20, which

¹⁰ Rule 20, Section 3, Schedule of GCF Timeframes, and Fee Structure, supra note 4. Collateral Allocation Obligations do not apply to CCIT Members because they can only be cash lenders in the CCIT Transactions.

¹¹ Rule 20, Section 3, supra note 4.

¹² Schedule of GCF Timeframes, supra note 4.

¹³ Fee Structure, supra note 4.

¹⁴ Schedule of GCF Timeframes, supra note 4. Today, after 6:00 p.m., FICC will process collateral allocations on a good faith basis, namely if FICC is able to contact both affected Netting Members and such Netting Members agree to settle

also references the “final cutoff” (i.e., the 6:00 p.m. deadline).¹⁵ Section 3 of Rule 20 also provides FICC’s processing of such late allocations is on a good faith basis only.¹⁶ Furthermore, Section 3 of Rule 20 states that Netting Members that do not satisfy their Collateral Allocation Obligations by the close of the Fedwire Funds Service shall be deemed to have failed on such Position (the consequence of which shall be that such Netting Member would not be entitled to receive the funds borrowed, but shall owe interest on such funds amount).¹⁷

With respect to the foregoing regarding allocation of securities collateral on a timely basis, FICC proposes to establish 4:30 p.m. as the only deadline for Netting Member allocation of collateral.¹⁸ In other words, FICC proposes to remove the current second deadline (i.e., 6:00 p.m.) by which Netting Members that have Collateral Allocation Obligations must allocate their securities obligations. This proposed change would align the deadline for allocating securities obligations with the proposed deadline for satisfying cash obligations (i.e., 4:30 p.m. or one hour after the close of the Fedwire Securities Service reversals, if later). Netting Members typically have obligations to satisfy outside of FICC after the collateral allocations occur at FICC. FICC believes that

such transaction, then FICC and its GCF Clearing Agent Bank will settle such transaction.

¹⁵ Rule 20, Section 3, supra note 4.

¹⁶ Id.

¹⁷ Id.

¹⁸ See Schedule of GCF Timeframes, supra note 4. Currently, the Schedule of GCF Timeframes provides that the first deadline for collateral allocation is 4:30 p.m. or one hour after the close of the securities FedWire, if later. The reference regarding one hour after the FedWire close would remain, subject to a correction discussed below in Item II(B)(iii) of this filing.

all parties (including FICC) would benefit from securities settlement occurring by 4:30 p.m. This is because the more settlements that complete earlier, the more potential operational risk is removed from the market. Specifically, there is interconnectivity between the GCF Repo market and the tri-party market outside of FICC. The securities collateral that is used to settle GCF Repo positions can be subsequently used by Netting Members to complete tri-party transactions outside of FICC. Therefore, the earlier that securities settlement occurs in the GCF Repo Service, the less potential operational risk of incomplete tri-party transactions outside of FICC. Under the current Rules, the second deadline of 6:00 p.m. creates an environment of later settlement both at FICC and outside of FICC. Even though Netting Members are generally abiding by the 4:30 p.m. securities allocation deadline, FICC would like to address the possibility of later settlement by deleting the 6:00 p.m. deadline. Therefore, by imposing 4:30 p.m. as the only deadline, FICC believes it would be lowering potential operational risk in the market that could arise if Netting Members chose to avail themselves of the current 6:00 p.m. deadline. This risk is the risk of disorder if firms are attempting to fulfill GCF Repo settlement and tri-party transaction settlement at the same time later in the day. Under the proposal, FICC would continue to process collateral allocations after the 4:30 p.m. deadline on a good faith basis only (like it currently does for collateral allocations after the current 6:00 p.m. deadline). Netting Members would remain subject to the \$500 late fee if they do not meet the 4:30 p.m. deadline unless FICC determines, in its sole discretion, that failure to meet this timeframe is not primarily the fault of the Netting Member, as currently stated in Section IX of the Fee Structure. This determination would be made by FICC Product Management based on input from the GCF Clearing Agent Bank, internal FICC

Operations staff and the Netting Member. The Netting Member would not be charged if the lateness is due to the GCF Clearing Agent Bank or FICC.

Cash Obligations

The Rules do not currently contain a deadline for a Netting Member's or CCIT Member's satisfaction of cash obligations in the GCF Repo Service and the CCIT Service. FICC proposes to establish 4:30 p.m. (or one hour after the close of the Fedwire Securities Service reversals, if later) as the deadline for a "Net Funds Payor" (as defined by this proposed rule change)¹⁹ to satisfy their cash obligations after which a late fee of \$500 would be imposed unless FICC determines that failure to meet this timeframe is not the fault of the Net Funds Payor. This determination would be made by FICC Product Management based on input from the GCF Clearing Agent Bank, internal FICC Operations staff and the Netting Member. The Net Funds Payor would not be charged if the lateness is due to the GCF Clearing Agent Bank or FICC. To encourage Netting Members and CCIT Members that are Net Funds Payors to satisfy their cash obligations by the 4:30 p.m. deadline, the proposed rule change would provide for progressive increases in the amount of the late fee for additional late occurrences. Specifically, the late fees would apply as follows: (a) \$500 for the first occurrence (within 30 calendar days), (b) \$1,000 for the second occurrence (within 30 calendar days), (c) \$2,000 for the third occurrence (within 30 calendar days), and (d) \$3,000 for the fourth occurrence (within 30 calendar days) or additional occurrences (within the 30 calendar days). The Rules currently set forth a late fee of \$500 for late securities settlement. As such, for late cash settlement, FICC is also proposing to establish \$500 as the initial late fee; however,

¹⁹ FICC is proposing to add "Net Funds Payor" as a new definition as explained in Item II(B)(iii) below.

as described above, there would be progressive increases in the amount of the late fee for additional late occurrences. FICC derived these amounts by starting with the equivalent late fee of \$500 that is currently imposed with respect to late securities settlement and then increased the late fee amounts to provide a disincentive effect.²⁰

In addition, FICC proposes to establish additional late fees that would be imposed on Netting Members and CCIT Members that are Net Funds Payors that fail to make the required payment of cash by the close of the Fedwire Funds Service. Specifically, the following additional late fees would be imposed if cash obligations are not satisfied by the close of the Fedwire Funds Service (unless FICC determines that the failure to meet this timeframe is not primarily the fault of the Net Funds Payors²¹): (a) 100 basis points on the unsatisfied cash obligation amount for the first occurrence (within 90 calendar days),²² (b) 200 basis points on the unsatisfied cash obligation amount for the second occurrence (within 90 calendar days), (c) 300 basis points on the unsatisfied cash obligation amount for the third occurrence (within 90 calendar days), and (d) 400 basis points on the unsatisfied cash obligation amount for the fourth occurrence (within 90 calendar days) or additional occurrences (within the 90 calendar days). As there is no

²⁰ Because the deadline for cash settlement is newly proposed, FICC would like to provide a disincentive for cash lateness and, therefore, is proposing fee increases.

²¹ This determination would be made by FICC Product Management based on input from the GCF Clearing Agent Bank, internal FICC Operations staff and the Netting Member. The Net Funds Payor would not be charged if the lateness is due to the GCF Clearing Agent Bank or FICC.

²² The late fee is based on the ACT/360 day count convention, where “ACT” represents the actual number of days in the period. For example, assuming a first occurrence unsatisfied cash obligation of \$100 million, the late fee would be \$100 million * 100/3600000 = \$2,777.78. This example uses the first occurrence amount. This calculation would apply to the rest of the proposed late fees in this section.

comparative data, FICC believes these amounts in this section represent reasonable and scaling incentives for Netting Members and CCIT Members that are Net Funds Payors to satisfy their cash obligations in a timely manner. The proposed late fees related to the 4:30 p.m. deadline are in flat dollar amounts whereas the proposed late fees related to cash obligations not being satisfied by the close of the Fedwire Funds Service are in basis points and based on the amount of unsettled cash obligations. FICC has structured its proposal in this way because the proposed late fees related to the 4:30 p.m. deadline would address lateness whereas the proposed late fee related to cash obligations not being satisfied by the close of the Fedwire Funds Service would charge for the amount of cash that was not settled.

- (ii) **Proposed change to establish a process to provide liquidity to FICC in situations where a Netting Member or CCIT Member with a net cash obligation in GCF Repo/CCIT activity, that is otherwise in good standing, is either (1) delayed in satisfying or (2) unable to satisfy its cash obligation (in whole or in part)**

Proposed Process

FICC is proposing to establish a process to address FICC's liquidity needs in situations in which a Netting Member or CCIT Member that is a Net Funds Payor, that is otherwise in good standing with FICC, is delayed or unable to satisfy (either in whole or in part) its GCF Repo/CCIT activity cash obligations.²³ The proposed process would not apply if FICC ceases to act for the Netting Member or CCIT Member, in which case the

²³ Such delay could, for example, be due to operational issues experienced by the Net Funds Payor. If a Netting Member with a collateral obligation does not deliver its securities, FICC considers it a fail. However, if a Netting Member or CCIT Member with a cash obligation is unable to deliver its cash (and is in good standing), FICC intends to employ the proposed process.

close-out rules would apply.²⁴ Because settlement of GCF Repo/CCIT activity occurs late in the day, having an established process to handle a non-default related liquidity need would benefit FICC and its members by improving FICC's ability to complete settlement and thereby reduce risk to FICC and the industry. This proposal would provide FICC with the tools to replace failed settlement with a financing transaction with FICC, as further described below.

FICC would first evaluate whether to recommend to the Board's Risk Committee that FICC cease to act for such Net Funds Payor. FICC would consider, but would not be limited to, the following factors in its evaluation: (i) the Net Funds Payor's current financial position, (ii) the amount of the outstanding payment, (iii) the cause of the late payment, (iv) current market conditions, and (v) the size of the potential overnight reverse repurchase transactions under the GCF Repo Allocation Waterfall MRAs (as defined below) on the GSD membership.²⁵

Pursuant to the proposal, once FICC determines that a Net Funds Payor is in good standing with GSD but is experiencing an issue, such as an operational issue, that may result in a late payment, partial payment or non-payment of its cash obligation on the settlement date, the following process would occur:

- In the case where the Net Funds Payor only satisfies part of its cash obligation, the GCF Clearing Agent Bank would settle the cash it received pursuant to such GCF Clearing Agent Bank's settlement algorithm (as is

²⁴ See Rule 22A, supra note 4.

²⁵ FICC already has the authority to cease to act for a member that does not fulfill an obligation to FICC and will continually evaluate throughout the proposed process whether FICC will cease to act.

done today). The GCF Clearing Agent Bank has its own settlement algorithm, which would allocate the partial amount of cash received from the Net Funds Payor among the various Net Funds Receivers.²⁶

- FICC would evaluate whether FICC will provide liquidity (in the form of end-of-day borrowing of Clearing Fund cash (“EOD Clearing Fund Cash,” which is a new definition proposed to be added by this filing) and/or GCF Clearing Agent Bank loans) to satisfy any remaining unsettled cash obligation of a Net Funds Payor on a pro rata basis based upon such Net Funds Receivers’ percentage of the entire remaining amount of the unsettled cash obligation.
- FICC would first consider whether its GCF Clearing Agent Bank will provide overnight financing. Because FICC’s overnight financing arrangements with its GCF Clearing Agent Bank are uncommitted, such arrangements are subject to the GCF Clearing Agent Bank’s discretion. Financing extended by the GCF Clearing Agent Bank would use such bank’s haircut schedule, and Clearing Fund securities would be used to satisfy the haircut.²⁷ FICC would not set a priority between the Clearing Fund cash and the overnight financing arrangements from its GCF Clearing Agent Bank (if any) because GSD’s decision to use either or both resources would be influenced on a case-by-case basis by factors such as

²⁶ An example of how the satisfaction of a partial cash obligation may be allocated among the Net Funds Receivers is provided in the third paragraph under “Example” in this section of this filing.

²⁷ See Rule 4, Section 5, supra note 4.

the specific circumstances, availability of a bank loan, market conditions, commercial considerations and ease of operational execution.²⁸

- FICC’s use of EOD Clearing Fund Cash for this situation would be subject to certain internal limitations. Specifically, GSD would establish a cap on the amount of EOD Clearing Fund Cash that may be used for this purpose to the lesser of \$1 billion or 20 percent of available Clearing Fund Cash. GSD reviewed GCF and CCIT settlement activity for the period from July 2, 2018 through February 28, 2019 and noted that the average cash amount required across all 71 Members was between zero and \$23.7 billion. Over this period, there were 27 Members with no cash amount required and 18 Members with an average cash amount of less than \$1 billion. Therefore, FICC believes that the proposed cap would provide resources to facilitate settlement for a typical cash amount at a level that would not materially impact its liquidity resources in the event that there is a simultaneous need for liquidity both under the scenario this proposal is seeking to address and another Member-related default. GSD would not set a priority between Clearing Fund cash and overnight financing by the GCF Clearing Agent Bank (if any) because GSD’s decision to use either or both resources would be influenced on a case-by-case basis by various factors, as described in the previous bullet.

²⁸ The specific circumstances that FICC would consider are the time of day and the size of the shortfall. Regarding the market conditions, FICC would consider whether there are stress events occurring in the market. With respect to commercial considerations, FICC would consider the current loan rates.

- The cash amount that FICC would be able to raise from EOD Clearing Fund Cash and/or GCF Clearing Agent Bank loans would be applied to unsettled cash obligations of the Net Funds Receivers on a pro rata basis. The pro-ration would be based upon the percentage of each Net Fund Receiver's unsettled obligation versus the total amount of all unsettled obligations.
- For example, assume the unsettled obligations totaled \$1 billion and the liquidity raised is \$800 million. In this case, FICC would instruct the GCF Clearing Agent Bank(s) to apply the liquidity amount (\$800 million) to the remaining unsettled GCF Repo/CCIT obligations. Assume there are two Net Funds Receivers with unsettled obligations (one Netting/CCIT Member is short \$600 million and the other is short \$400 million). In this case, the first Net Funds Receiver would receive 60 percent of the \$800 million (\$480 million) and the second Net Funds Receiver would receive 40 percent of the \$800 million (\$320 million). The remaining unfunded \$200 million would be distributed via overnight reverse repurchase transactions.²⁹
- To the extent that the amount from the application of the Clearing Fund cash and overnight financing arrangement (if any) is insufficient to cover the outstanding cash obligations, FICC would enter into overnight repurchase agreements with Net Funds Receivers that are in unsettled Net

²⁹ All pro-ration calculations would be rounded to the nearest million unless a smaller denomination is required to complete settlement.

Funds Receiver Positions. These repos would be done pursuant to the “GCF Repo Allocation Waterfall MRA” (as proposed to be added by this filing) and would be Rules-based.

- FICC would notify each unsettled Net Funds Receiver at the GCF Clearing Agent Bank that did not satisfy its cash obligation, and each such Net Funds Receiver would be required to enter into an overnight reverse repurchase agreement at the applicable Generic CUSIP Number with FICC. The amount of such reverse repurchase agreement would be at the remaining unsettled amount per Net Funds Receiver. Therefore, amounts received by FICC from these overnight reverse repurchase agreements would be used to satisfy remaining unsettled cash obligations.
- Such reverse repurchase agreements would be entered into pursuant to the terms of a 1996 SIFMA Master Repurchase Agreement,³⁰ which would be incorporated into the Rules, subject to specific changes set forth in the Rules. Such reverse repurchase transactions would be overnight trades at a market rate.³¹ The associated overnight interest of the reverse repurchase agreement would be debited from the Net Funds Payor that did not satisfy its cash obligation and credited to the affected Net Funds

³⁰ The September 1996 Securities Industry and Financial Markets Association Master Repurchase Agreement is available at <http://www.sifma.org/services/standard-forms-and-documentation/mra,-gmra,-msla-and-msftas/>.

³¹ The market rate would be the overnight par weighted average rate at the Generic CUSIP Number level.

Receivers in the funds-only settlement process as a Miscellaneous Adjustment Amount.³²

- Any resulting costs incurred by the Net Funds Receivers would be debited from the Net Funds Payor whose shortfall raised the need for the reverse repurchase agreement. The Net Funds Receivers requesting compensation in this regard would need to submit a formal claim to FICC. Upon review and approval by FICC, the Net Funds Receiver would receive a credit that would be processed in the funds-only settlement process as a Miscellaneous Adjustment Amount.³³ The debit of the Net Funds Payor would be processed in the same way.
- Unless FICC has restricted the Member's access to services pursuant to Rule 21 or Rule 21A or has ceased to act for the Member pursuant to Rule 21 or Rule 21A, the Net Funds Payor shall be permitted to continue to submit activity to FICC.

Example

The following example illustrates the application of the proposed rule changes described above:

Assume that Dealer A has a cash payment obligation for \$100 million and Dealers B, C, D and E are in GCF Net Funds Receiver Positions for \$25 million each. Assume further that by 4:30 p.m., Dealer A satisfies only \$60 million of its cash obligation thereby leaving \$40 million outstanding. Dealer A would be subject to a late fee of \$500.

³² See Rule 13, Section 1(m) and Rule 3B, Section 13(a)(ii), supra note 4.

³³ Id.

The GCF Clearing Agent Bank satisfies transactions based upon its own settlement algorithms. As such, assume that the \$60 million was settled as follows:

(i) \$25 million was settled with Dealer B, (ii) \$10 million was settled with Dealer C, (iii) \$25 million was settled with Dealer D, and (iv) \$0 was settled with Dealer E.

As such, \$40 million remains unfunded. Assume FICC uses its liquidity resources (EOD Clearing Fund Cash and financing arrangements with the GCF Clearing Agent Bank (if available)) and is only able to raise \$30 million. Dealer A would be responsible for the financing costs incurred by FICC. The \$30 million borrowed by FICC would be prorated among the Netting Members in GCF Net Funds Receiver Positions that still have unsettled obligations. In this example, Dealer C has an unsettled obligation of \$15 million and Dealer E has an unsettled obligation of \$25 million. The proration calculation would be the percentage of the dealer's unsettled obligation versus the entire unsettled amount. In Dealer C's case, the \$15 million unsettled amount is 38 percent of the \$40 million total unsettled amount and in Dealer E's case, the \$25 million unsettled amount is 62 percent of the \$40 million. Dealer C would receive 38 percent of the \$30 million that was raised by FICC (i.e., \$11,400,000), and Dealer E would receive 62 percent of the \$30 million that was raised by FICC (i.e., \$18,600,000).

At this point, \$10 million remains unsettled. This is the amount that would need to be satisfied using overnight reverse repos under the GCF Repo Allocation Waterfall MRA and would be distributed between the two remaining unsettled amounts with Dealer C (i.e., \$3,600,000) and Dealer E (i.e., \$6,400,000). FICC would notify these dealers and initiate the GCF Repo Allocation Waterfall MRA requirement with each of them. Dealer A would be subject to a late fee for failing to settle by the close of the Fedwire Funds

Service. Such late fee of 100 basis points would be calculated based on the \$40 million that Dealer A did not fund. In addition, the reverse repurchase agreements would be overnight trades at a market rate;³⁴ the associated overnight interest of the reverse repurchase agreement would be debited from Dealer A and credited to Dealers C and E in funds-only settlement. If Dealers C and/or E incurred any damages from the cost of securing alternate financing, FICC would determine if such costs are sufficiently demonstrated and would charge Dealer A for such costs to the extent that they do not include special, consequential, or punitive damages.

Throughout the foregoing process, Dealer A is subject to disciplinary action, up to and including termination of its GSD membership. Moreover, FICC retains its right to cease to act for Dealer A.

(iii) Clarification, Technical Changes and Corrections

FICC proposes to make a clarification to Section 3 of Rule 20 by adding a descriptive parenthetical regarding net-of-net settlement.

FICC also proposes to make a technical change to the title of the “Schedule of GCF Timeframes,” which would be amended to “Schedule of GCF Repo Timeframes” to enhance accuracy. References to “Schedule of GCF Timeframes” in Section 3 of Rule 20 would also be updated to “Schedule of GCF Repo Timeframes.”

FICC also proposes to make a correction by revising the language in “Late Fee Related to GCF Repo Transactions” in Section IX (Late Fees) of the Fee Structure from “Fedwire reversals” to “Fedwire Securities Service reversals.” FICC also proposes to revise “securities FedWire” to “Fedwire Securities Service reversals” in the Schedule of

³⁴ Supra note 31.

GCF Timeframes to be consistent with the proposed change in “Late Fee Related to GCF Repo Transactions” in Section IX (Late Fees) of the Fee Structure. FICC also proposes to revise the title from “Late Fee Related to GCF Repo Transactions” to “Late Fees Related to GCF Repo Transactions.” FICC believes these proposed changes would enhance consistency, clarity, and accuracy.

FICC also proposes to update the current references to “dealer,” “dealers,” or “GCF Counterparties (“dealers”)” in the “Schedule of GCF Timeframes” and “Fee Structure” to “Netting Member” or “Netting Members” for additional clarity and consistency because the GCF Repo Service is not only available to Dealer Netting Members and FICC believes that the references to “dealers” may cause confusion.

In addition, FICC proposes to update the descriptions for 3:00 p.m. and 3:30 p.m. in the Schedule of GCF Timeframes to correct certain descriptions that appear to have been reversed in error. Specifically, the description for 3:00 p.m. currently states that collateral allocations begin. However, collateral allocations actually begin at 3:30 p.m. and therefore, FICC proposes to correct this error by deleting the reference to collateral allocations beginning in the 3:00 p.m. description and adding a reference to the 3:30 p.m. description that would state that collateral allocations begin. Furthermore, the current 3:00 p.m. description states that notifications by FICC to banks and dealers of final positions occurs at this time, which is incorrect. There is not a strict established time for notifications by FICC to Members of final positions. FICC believes that it is reasonably and fairly implied that output would follow the cut-off for trade submission and therefore, does not believe the phrase “notification by FICC to banks and dealers of final positions” is necessary in the Schedule of GCF Timeframes. As such, FICC proposes to correct this

error by deleting the reference to notifications by FICC to banks and dealers of final positions from the 3:00 p.m. description.

Furthermore, in connection with the proposed changes described herein, FICC also proposes to revise four relevant defined terms that indicate whether a Netting Member's obligation is a cash obligation or a securities obligation with respect to GCF Repo/CCIT activity (i.e., "GCF Net Funds Borrower Position," "GCF Net Funds Borrower," "GCF Net Funds Lender Position," and "GCF Net Funds Lender"). In addition, FICC would add two new defined terms (i.e., "Net Funds Payor Position" and "Net Funds Receiver Position") to distinguish the foregoing defined terms from a Netting Member's or CCIT Member's *after* net-of-net settlement.³⁵

Specifically, there are currently four relevant defined terms that indicate whether a Netting Member's obligation is a cash obligation or a securities obligation with respect to GCF Repo/CCIT activity. These terms are: "GCF Net Funds Borrower Position,"³⁶ "GCF Net Funds Borrower," "GCF Net Funds Lender Position,"³⁷ and "GCF

³⁵ A Netting Member's or CCIT Member's obligation prior to net-of-net settlement describes such Netting Member's or CCIT Member's obligation for that particular Business Day. A Netting Member's or CCIT Member's obligation *after* net-of-net settlement describes such Netting Member's or CCIT Member's obligation after its obligation from the previous Business Day has been netted with its obligation for that particular Business Day.

³⁶ The term "GCF Net Funds Borrower Position" means, with respect to a particular Generic CUSIP Number, both the amount of funds that a Netting Member has borrowed as the net result of its outstanding GCF Repo Transactions and CCIT Transactions and the equivalent amount of Eligible Netting Securities and/or cash that such Netting Member is obligated, pursuant to Rule 20, to allocate to the Corporation to secure such borrowing (such Netting Member holding a GCF Net Funds Borrower Position, a "GCF Net Funds Borrower"). See Rule 1, supra note 4.

³⁷ The term "GCF Net Funds Lender Position" means, with respect to a particular Generic CUSIP Number, both the amount of funds that a Netting Member or

Net Funds Lender.” With respect to CCIT Members, which are only permitted to initiate transactions as cash lenders for submission to GSD, the applicable definitions are “GCF Net Funds Lender Position” and “GCF Net Funds Lender.” The four existing terms represent a Netting Member’s and CCIT Member’s position with respect to GCF Repo/CCIT activity that is processed by GSD on a particular Business Day *prior to* net-of-net settlement³⁸ and the proposed rule change would add language in the definitions of “GCF Net Funds Borrower Position” and “GCF Net Funds Lender Position” to make this clear.

To distinguish the foregoing from a Netting Member’s or CCIT Member’s position *after* net-of-net settlement, FICC proposes to amend Rule 1 (Definitions) to add two new defined terms, “Net Funds Payor Position” and “Net Funds Receiver Position” with two additional defined terms embedded within these definitions, “Net Funds Payor” and “Net Funds Receiver,” respectively. These defined terms would represent a Netting Member’s and CCIT Member’s, as applicable, position in GCF Repo/CCIT activity *as a result of* net-of-net settlement. Specifically, as a result of net-of-net settlement, a Netting Member or CCIT Member may be either in a cash debit position (i.e., in a “Net Funds

CCIT Member has lent as the result of its outstanding GCF Repo Transactions or its outstanding CCIT Transactions, as applicable, and the equivalent amount of Eligible Netting Securities and/or cash that such Netting Member or CCIT Member, as applicable, is entitled, pursuant to Rule 20, to be allocated for its benefit to secure such loan (such Netting Member or CCIT Member holding a GCF Net Funds Lender Position, a “GCF Net Funds Lender”). See Rule 1, supra note 4.

³⁸ Net-of-net settlement is described in Section 3 of Rule 20 and the proposal would add a parenthetical to clarify that such applicable paragraph in this section refers to net-of-net settlement, as described further below.

Payor Position” or a “Net Funds Payor”) or cash credit position (i.e., in a “Net Funds Receiver Position” or a “Net Funds Receiver”).³⁹

(iv) **Implementation Timeframe**

Subject to no objection to this Advance Notice and the approval of the related proposed rule change (the “Proposed Rule Change”)⁴⁰ by the Commission, FICC would implement the proposed changes no later than 60 days after the later of the approval of the Proposed Rule Change and no objection to this Advance Notice by the Commission. FICC would announce the effective date of the proposed changes by Important Notice posted to its website.

Expected Effect on Risks to the Clearing Agency, its Participants and the Market

FICC believes that the proposed rule change described in Item II(B)(i) above to establish a new deadline and associated late fees for satisfaction of net cash obligations in GCF Repo/CCIT activity and remove the current 6:00 p.m. Collateral Allocation deadline would help lower the potential operational risk of incomplete tri-party transactions outside of FICC. As described above, FICC believes that all parties (including FICC) would benefit from securities settlement occurring by 4:30 p.m. because the more settlements that complete earlier, the more potential operational risk is removed from the market. Specifically, FICC believes having securities settlement occur by 4:30 p.m. would lower the risk of disorder that could arise if firms are attempting to fulfill GCF

³⁹ Even though CCIT Members can only initiate cash lending transactions, they could be Net Funds Receivers. For example, assume that on Monday, a CCIT Member entered into a CCIT Transaction to lend \$125 million and on Tuesday, the same CCIT Member entered into a CCIT Transaction to lend \$50 million in the same Generic CUSIP Number. On Tuesday, after net-of-net settlement, the CCIT Member would be in a Net Funds Receiver Position of \$75 million.

⁴⁰ Supra note 3.

Repo settlement and tri-party transaction settlement at the same time later in the day. There is interconnectivity between the GCF Repo market and the tri-party market outside of FICC, so the securities collateral that is used to settle GCF Repo positions can be subsequently used by Netting Members to complete tri-party transactions outside of FICC. FICC believes the current second deadline of 6:00 p.m. for allocation of securities collateral creates an environment of later settlement both at FICC and outside of FICC. FICC believes that it would be lowering potential operational risk in the market (i.e., the risk of disorder) that could arise if Members chose to avail themselves of the current 6:00 p.m. deadline. FICC believes that timely settlement at FICC would help with timely completion of onward processing outside of FICC.

FICC also proposes to establish a deadline for a Netting Member's or CCIT Member's satisfaction of cash obligations in the GCF Repo Service and the CCIT Service. As described above, for late cash settlement, the initial late fee would be \$500 and would progressively increase for additional late occurrences. In addition, FICC would also impose additional late fees on Netting Members and CCIT Members that are Net Funds Payors that fail to make the required payment of cash by the close of the Fedwire Funds Service. Because the deadline for cash settlement is newly proposed, FICC would like to provide a disincentive for cash lateness, and therefore, is proposing fee increases for repeated late occurrences in satisfying cash obligations. FICC believes that the proposed deadline for satisfaction of cash obligations and the associated late fees would mitigate the risk of later settlement by incenting Netting Members and CCIT Members to meet their settlement obligations on a more timely basis, which would better enable FICC to settle on a timely basis.

FICC believes that the proposed rule change described in Item II(B)(ii) above to establish a process to provide liquidity to FICC in situations where a Netting Member or CCIT Member with a net cash obligation in GCF Repo/CCIT activity, that is otherwise in good standing, is either (1) delayed in satisfying or (2) unable to satisfy its cash obligation (in whole or in part) would benefit FICC and its members. FICC believes that because settlement of GCF Repo/CCIT activity occurs late in the day, having an established process to handle non-default related liquidity would improve FICC's ability to complete settlement and thereby reduce risk to FICC and the industry.

Management of Identified Risks

FICC believes that that the proposed changes described in Item II(B)(i) above are designed to help FICC manage the potential operational risk (i.e., the risk of disorder) of incomplete tri-party transactions outside of FICC. FICC believes that, removing the 6:00 p.m. deadline and establishing 4:30 p.m. as the deadline for securities settlement, it would encourage Members to complete more settlements earlier and thereby, lower potential operational risk from the market.

FICC believes that the proposed changes described in Item II(B)(i) above to establish a new deadline and associated late fees for satisfaction of net cash obligations in GCF Repo/CCIT activity are designed to help FICC manage the risk of later settlement. FICC believes that the proposed new deadline and the related increasing late fees would provide an incentive for Netting Members and CCIT Members to meet their cash settlement obligations on a more timely basis, which in turn, would better enable FICC to complete settle on a timely basis.

FICC believes that the proposed changes described in Item II(B)(ii) above are designed to help FICC manage its risks by establishing a process to provide liquidity to

FICC in situations where a Netting Member or CCIT Member with a net cash obligation in GCF Repo/CCIT activity, that is otherwise in good standing, is either (1) delayed in satisfying or (2) unable to satisfy its cash obligation (in whole or in part). This proposed process would provide a process for FICC to raise liquidity to complete settlement. By better enabling FICC to complete settlement by providing FICC with a process to raise liquidity, FICC and its members would be less likely to be faced with the uncertainty of unsettled obligations and the risks related thereto. As such, FICC believes this proposed process would better enable FICC to better manage its risk related to the uncertainty of unsettled obligations and later settlement.

Consistency with the Clearing Supervision Act

FICC believes that the proposed rule change would be consistent with Section 805(b) of the Clearing Supervision Act.⁴¹ The objectives and principles of Section 805(b) of the Clearing Supervision Act are to promote robust risk management, promote safety and soundness, reduce systemic risks, and support the stability of the broader financial system.⁴²

FICC believes that the proposed changes described in Item II(B)(i) regarding securities collateral above are designed to promote robust risk management, promote safety and soundness, and support the stability of the broader financial system. FICC believes that all parties (including FICC) would benefit from securities settlement occurring by 4:30 p.m. This is because the more settlements that complete earlier, the more potential operational risk is removed from the market. Specifically, there is

⁴¹ 12 U.S.C. 5464(b).

⁴² Id.

interconnectivity between the GCF Repo market and the tri-party market outside of FICC. The securities collateral that is used to settle GCF Repo positions can be subsequently used by Netting Members to complete tri-party transactions outside of FICC. Therefore, the earlier that securities settlement occurs in the GCF Repo Service, the less potential operational risk of incomplete tri-party transactions outside of FICC. Under the current Rules, the second deadline of 6:00 p.m. creates an environment of later settlement both at FICC and outside of FICC. Even though Netting Members are generally abiding by the 4:30 p.m. securities allocation deadline, FICC would like to address the possibility of later settlement by deleting the 6:00 p.m. deadline. Therefore, by imposing 4:30 p.m. as the only deadline, FICC believes it would be lowering potential operational risk in the market that could arise if Netting Members chose to avail themselves of the current 6:00 p.m. deadline. This risk is the risk of disorder if firms are attempting to fulfill GCF Repo settlement and tri-party transaction settlement at the same time later in the day. As such, FICC believes the proposed change to remove the 6:00 p.m. deadline for securities settlement would promote robust risk management by lessening the potential operational risk of incomplete tri-party transactions outside of FICC and also promote the safety and soundness and support the stability of the broader financial market by lessening the risk of disorder if firms are attempting to fulfill GCF Repo settlement and tri-party transactions settlement at the same time later in the day.

FICC also believes that the proposed changes described in Item II(B)(i) above to establish a new deadline and associated late fees for satisfaction of net cash obligations in GCF Repo/CCIT activity are designed to help promote robust risk management, promote safety and soundness, and support the stability of the broader financial system.

Specifically, FICC believes the proposed deadline and associated late fees are designed to promote robust risk management by helping FICC manage the risk of later settlement because FICC believes that the proposed new deadline and the related increasing late fees would provide an incentive for Netting Members and CCIT Members to meet their cash settlement obligations on a more timely basis, which in turn, would better enable FICC to complete settle on a timely basis. FICC believes that having settlement complete on a timely basis would promote safety and soundness and also support the stability of the broader financial system by lessening the potential operational risk of incomplete settlement.

FICC believes that the proposed changes described in Item II(B)(ii) above are designed to promote robust risk management, promote safety and soundness, and support the stability of the broader financial market. FICC believes this proposed process is designed to promote robust risk management because the proposed process would enable FICC to mitigate the risks related to the uncertainty of unsettled obligations and later settlement in certain circumstances. FICC would be able to mitigate these risks because the proposed process is designed to provide FICC with liquidity in certain circumstances (i.e., where a Netting Member or CCIT Member with a net cash obligation in GCF Repo/CCIT activity, that is otherwise in good standing, is either (1) delayed in satisfying or (2) unable to satisfy its cash obligation (in whole or in part)). FICC believes having a proposed process to provide FICC with liquidity in the circumstances described above would better enable FICC to complete timely settlement. In turn, timely settlement would promote safety and soundness by providing FICC's members with certainty as to the completion of their transactions that were submitted to FICC. Furthermore, timely

settlement at FICC would support the stability of the broader financial system by aiming to avoid the market disruption that could occur if FICC cannot settle. Timely settlement at FICC demonstrates to the market that parties' rights and obligations vis-à-vis settlement have been completed and therefore, promotes certainty and stability.

FICC also believes that the proposed conforming and technical changes described above are designed to provide clear and coherent Rules regarding GCF Repo transactions for Netting Members and CCIT Members. FICC believes that clear and coherent Rules would enhance the ability of FICC and its Netting Members and CCIT Members to more effectively plan for, manage, and address the risks related to GCF Repo transactions. As such, FICC believes that the conforming and technical changes are designed to promote robust risk management, consistent with the objectives and principles of Section 805(b) of the Clearing Supervision Act cited above.

FICC believes the proposal would be consistent with Rule 17Ad-22(e)(7)(i), (ii), and (viii), as promulgated under the Act, for the reasons described below.⁴³

Rule 17Ad-22(e)(7)(i) requires FICC to establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by maintaining sufficient liquid resources to effect same-day settlement of payment obligations in the event of a default of the participant family that would generate the largest aggregate payment

⁴³ 17 CFR 240.17Ad-22(e)(7)(i), (ii), and (viii).

obligation for the covered clearing agency in extreme but plausible market conditions.⁴⁴ FICC believes that the proposal would be consistent with Rule 17Ad-22(e)(7)(i) because the GCF Repo Allocation Waterfall MRA would help FICC maintain sufficient liquid resources to settle the same-day cash obligations of a Netting Member or CCIT Member that is otherwise in good standing with FICC but (i) is delayed in satisfying its cash obligation related to its GCF Repo/CCIT activity or (ii) does not fulfill, or only partially fulfills, such cash obligation.⁴⁵ FICC believes that the proposal would be consistent with Rule 17Ad-22(e)(7)(i) because the GCF Repo Allocation Waterfall MRA would be sized based on the actual liquidity need which would help FICC maintain sufficient liquid resources to settle the cash obligations of a Netting Member.⁴⁶ The GCF Repo Allocation Waterfall MRA would be a committed arrangement, and all transactions entered into pursuant to the GCF Allocation Waterfall MRA are designed to be readily available to meet the cash obligations owed to Netting Members.

Rule 17Ad-22(e)(7)(ii) requires FICC to establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by holding qualifying liquid resources⁴⁷ sufficient to meet the minimum liquidity resource requirement under

⁴⁴ 17 CFR 240.17Ad-22(e)(7)(i).

⁴⁵ Id.

⁴⁶ Id.

⁴⁷ “Qualifying liquid resources” means, for any covered clearing agency, the following, in each relevant currency: (i) Cash held either at the central bank of

Rule 17Ad-22(e)(7)(i) in each relevant currency for which the covered clearing agency has payment obligations owed to clearing Members.⁴⁸ FICC believes that the proposed rule change would be consistent with Rule 17Ad-22(e)(7)(ii) because the GCF Repo Allocation Waterfall MRA would be a committed arrangement,⁴⁹ and all transactions entered into pursuant to the GCF Repo Allocation Waterfall MRA are designed to be readily available to meet the cash obligations owed to Netting Members.⁵⁰

Rule 17Ad-22(e)(7)(viii) requires FICC to establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by addressing foreseeable liquidity shortfalls that would not be covered by the covered clearing agency's liquid resources and seek to avoid unwinding, revoking, or delaying the same-

issue or at creditworthy commercial banks; (ii) Assets that are readily available and convertible into cash through prearranged funding arrangements, such as: (A) Committed arrangements without material adverse change provisions, including (1) Lines of credit; (2) Foreign exchange swaps; and (3) Repurchase agreements; or (B) Other prearranged funding arrangements determined to be highly reliable even in extreme but plausible market conditions by the board of directors of the covered clearing agency following a review conducted for this purpose not less than annually; and (iii) Other assets that are readily available and eligible for pledging to (or conducting other appropriate forms of transactions with) a relevant central bank, if the covered clearing agency has access to routine credit at such central bank in a jurisdiction that permits said pledges or other transactions by the covered clearing agency. 17 CFR 240.17Ad-22(a)(14).

⁴⁸ 17 CFR 240.17Ad-22(e)(7)(ii).

⁴⁹ See 17 CFR 240.17Ad-22(a)(14).

⁵⁰ Id.

day settlement of payment obligations.⁵¹ FICC believes that the proposed rule change would be consistent with Rule 17Ad-22(e)(7)(viii) because the GCF Repo Allocation Waterfall MRA would be a committed arrangement that would be available to avoid unwinding, revoking, or delaying same-day settlement obligations. All transactions entered into pursuant to the GCF Repo Allocation Waterfall MRA are designed to be readily available to settle same-day cash obligations owed to non-defaulting Netting Members in instances where existing resources (i) may not be readily available after 4:30 p.m. to permit timely settlement or (ii) are maintained primarily to settle the outstanding transactions in the event of a default of a Member and its entire affiliated family.

III. Date of Effectiveness of the Advance Notice, and Timing for Commission Action

The proposed change may be implemented if the Commission does not object to the proposed change within 60 days of the later of (i) the date that the proposed change was filed with the Commission or (ii) the date that any additional information requested by the Commission is received. The clearing agency shall not implement the proposed change if the Commission has any objection to the proposed change.

The Commission may extend the period for review by an additional 60 days if the proposed change raises novel or complex issues, subject to the Commission providing the clearing agency with prompt written notice of the extension. A proposed change may be implemented in less than 60 days from the date the advance notice is filed, or the date further information requested by the Commission is received, if the Commission notifies the clearing agency in writing that it does not object to the proposed change and

⁵¹ 17 CFR 240.17Ad-22(e)(7)(viii).

authorizes the clearing agency to implement the proposed change on an earlier date, subject to any conditions imposed by the Commission.

The clearing agency shall post notice on its website of proposed changes that are implemented.

The proposal shall not take effect until all regulatory actions required with respect to the proposal are completed.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FICC-2019-801 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-2019-801. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website

(<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the Advance Notice that are filed with the Commission, and all written communications relating to the Advance Notice between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of FICC and on DTCC's website (<http://dtcc.com/legal/sec-rule-filings.aspx>). All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FICC-2019-801 and should be submitted on or before [insert date 15 days from publication in the Federal Register].

By the Commission.

Jill M. Peterson
Assistant Secretary