

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-89631; File No. SR-FICC-2020-011)

August 21, 2020

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Clarify the Government Securities Division Schedule of Timeframes and Schedule of GCF Repo[®] Timeframes and Make Other Changes

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 18, 2020, Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. FICC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(4) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change consists of amendments to the FICC Government Securities Division (“GSD”) Rulebook (“Rules”)⁵ in order to (i) clarify that all times set forth in the Schedule of Timeframes and the Schedule of GCF Repo Timeframes may be

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(4).

⁵ Capitalized terms not defined herein are defined in the Rules, available at <http://www.dtcc.com/legal/rules-and-procedures>.

extended as needed by FICC to (a) address operational or other delays that would reasonably prevent members or FICC from meeting the deadline or timeframe, as applicable or (b) allow FICC time to operationally exercise its existing rights under the Rules, (ii) revise specific references to times in Section 6 of Rule 13 to reference the Schedule of Timeframes, and (iii) make certain technical and conforming changes, as further described below.

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

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

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

1. Purpose

The purpose of the proposed rule change is to (i) clarify that all times set forth in the Schedule of Timeframes and the Schedule of GCF Repo Timeframes may be extended as needed by FICC to (a) address operational or other delays that would reasonably prevent members or FICC from meeting the deadline or timeframe, as applicable or (b) allow FICC time to operationally exercise its existing rights under the Rules, (ii) revise specific references to times in Section 6 of Rule 13 to reference the Schedule of Timeframes, and (iii) make certain technical and conforming changes, as further described below.

- (i) **Clarify that all times set forth in the Schedule of Timeframes and the Schedule of GCF Repo Timeframes may be extended as needed by FICC to (a) address operational or other delays that would reasonably prevent members or FICC from meeting the deadline or timeframe, as applicable or (b) allow FICC time to operationally exercise its existing rights under the Rules**

Currently, there are footnotes (one denoted by an asterisk and another denoted by two asterisks) in the Schedule of Timeframes that state that a particular deadline may be extended by FICC on days on which there are operational or systems difficulties that would reasonably prevent members from satisfying this deadline. Currently, in the Schedule of Timeframes, the footnote denoted by one asterisk applies to the 9:30 a.m. and 2:45 p.m. timeframes, and the footnote denoted by two asterisks applies to the 12:00 p.m., 12:30 p.m., and 1:00 p.m. timeframes. The 9:30 a.m. and 2:45 p.m. timeframes are the deadlines for satisfaction of a Clearing Fund deficiency call. The 12:00 p.m., 12:30 p.m. and 1:00 p.m. timeframes are the deadlines for the submission of information regarding New Securities Collateral.

The 4:30 p.m. timeframe in the Schedule of GCF Repo Timeframes applies to Netting Member allocation of collateral, and it has a footnote (which is denoted by an asterisk) providing that the stated deadline of 4:30 p.m. may be one hour after the close of the Fedwire Securities Service reversals, if later than 4:30 p.m.

FICC proposes to clarify that all times set forth in the Schedule of Timeframes and the Schedule of GCF Repo Timeframes may be extended as needed by FICC to (a) address operational or other delays that would reasonably prevent members or FICC from meeting the deadline or timeframe, as applicable or (b) allow FICC time to

operationally exercise its existing rights under the Rules.⁶ FICC would also clarify that the times applicable to FICC are standards and not deadlines and that actual processing times may vary slightly, as necessary.⁷ FICC believes these proposed changes would enhance members' understanding that these timeframes may be extended in certain circumstances and that the times applicable to FICC may also vary slightly.

FICC proposes to effectuate these proposed changes by adding a new footnote denoted by an asterisk to the headings "Schedule of Timeframes" and "Schedule of GCF Repo Timeframes." In addition, in the Schedule of Timeframes, FICC proposes to delete the current asterisks with respect to the 9:30 a.m., 2:45 p.m., 12:00 p.m., 12:30 p.m. and 1:00 p.m. timeframes because, with the addition of the new proposed footnote to the heading of the "Schedule of Timeframes," these current footnotes would be redundant. FICC proposes a similar change in the Schedule of GCF Repo Timeframes to delete the current asterisk with respect to the 4:30 p.m. deadline for the same reason.

⁶ For example, pursuant to Section 6 of Rule 13, on any Business Day on which a Netting Member is notified by FICC that it must increase the amount of its Required Fund Deposit and the Netting Member has a Funds-Only Settlement Amount due to it from FICC, in lieu of paying the Funds-Only Settlement Amount to the Netting Member, FICC may retain the lesser of the requested increase in the Required Fund Deposit or such Funds-Only Settlement Amount and apply such amount against the Netting Member's obligation to increase its Required Fund Deposit. If FICC determines to exercise this provision, it is possible that the applicable time set forth in the Schedule of Timeframes for the processing of funds-only settlement debits and credits (10:00 a.m. or 3:15 p.m.) could be delayed due to the operational process necessary to recalculate the funds-only settlement amounts.

⁷ For example, the Schedule of GCF Repo Timeframes currently states that the system opens at 7:00 a.m. Typically, however, the system opens two minutes earlier than 7:00 a.m.

(ii) **Revise specific references to times in Section 6 of Rule 13 to reference the Schedule of Timeframes**

Currently, Sections 6(b) and 6(c) of Rule 13 set forth specific times for the payment of a Funds-Only Settlement Amount. Specifically, Section 6(b) of Rule 13 states that a Netting Member that has an obligation to pay the Funds-Only Settlement Amount to FICC shall make such payment by no later than 10:00 a.m. New York Time. Section 6(c) of Rule 13 states that when a Netting Member is entitled to collect a Funds-Only Settlement Amount from FICC, FICC shall cause the payment to be made by 11:00 a.m. New York Time.

FICC proposes to replace the specific references to times in Section 6(b) and Section 6(c) of Rule 13 with references to the Schedule of Timeframes. Because the Schedule of Timeframes addresses these two payments and their specific timeframes, FICC believes the references to specific times in these subsections of Rule 13 are unnecessary and that it would enhance clarity to reference the Schedule of Timeframes instead of specific times.

(iii) **Make certain technical and conforming changes**

FICC would also make certain technical and conforming changes.

FICC proposes to make a conforming change to Section 6(b) of Rule 13 by deleting the phrase “Except as otherwise provided in Section 2 with respect to intraday collections.” Because FICC proposes to reference the Schedule of Timeframes instead of specific times (as described in Item II(A)1(ii) above), FICC believes this exception is no longer necessary and, therefore, proposes to delete it. The Schedule of Timeframes covers the intraday collection of Funds-Only Settlement Amounts.

FICC proposes to make a technical change to capitalize “a” before “Netting Member” in Section 6(b) of Rule 13. Because the exception clause would be deleted (as described above), this would be the beginning of the sentence. In addition, in Section 6(b) of Rule 13, FICC proposes to make another technical change to revise the semi-colon to a period in order to be consistent with the other subsections in Section 6 of Rule 13.

2. Statutory Basis

Section 17A(b)(3)(F) of the Act requires, in part, that the Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions.⁸ The proposed changes to (i) clarify that all times set forth in the Schedule of Timeframes and the Schedule of GCF Repo Timeframes may be extended as needed by FICC to (a) address operational or other delays that would reasonably prevent members or FICC from meeting the deadline or timeframe, as applicable or (b) allow FICC time to operationally exercise its existing rights under the Rules, (ii) revise specific references to times in Section 6 of Rule 13 to reference the Schedule of Timeframes, and (iii) make certain technical and conforming changes to the Rules would help to ensure that the Rules are accurate and clear to participants. When members better understand their rights and obligations regarding the Rules, such members are more likely to act in accordance with the Rules, which FICC believes would promote the prompt and accurate clearance

⁸ 15 U.S.C. 78q-1(b)(3)(F).

and settlement of securities transactions. As such, FICC believes that the proposed changes would be consistent with Section 17A(b)(3)(F) of the Act.⁹

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

FICC does not believe the proposed rule changes to (i) clarify that all times set forth in the Schedule of Timeframes and the Schedule of GCF Repo Timeframes may be extended as needed by FICC to (a) address operational or other delays that would reasonably prevent members or FICC from meeting the deadline or timeframe, as applicable or (b) allow FICC time to operationally exercise its existing rights under the Rules, (ii) revise specific references to times in Section 6 of Rule 13 to reference the Schedule of Timeframes, and (iii) make certain technical and conforming changes to the Rules would impact competition. The proposed rule changes would help to ensure that the Rules remain clear and accurate. In addition, the changes would facilitate members' understanding of the Rules and their obligations thereunder. As such, FICC believes the proposed rule changes would not have any impact on competition.

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

Written comments relating to the proposed rule change have not been solicited or received. FICC will notify the Commission of any written comments received by FICC.

⁹ Id.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)¹⁰ of the Act and paragraph (f)¹¹ of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FICC-2020-011 on the subject line.

Paper Comments:

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

¹⁰ 15 U.S.C 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f).

All submissions should refer to File Number SR-FICC-2020-011. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of FICC and on DTCC's website (<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-2020-011 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

J. Matthew DeLesDernier
Assistant Secretary

¹² 17 CFR 200.30-3(a)(12).