

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106657; File No. SR-CMESC-2026-008]

Self-Regulatory Organizations; CME Securities Clearing Inc.; Order Approving Proposed Rule Change to Amend Rule 410, Rule 101, the Capped Liquidity Facility Procedure, and the Liquidity Risk Management Policy.

October 13, 2026.

On August 21, 2026, CME Securities Clearing Inc. (“CMESC”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change CMESC-2026-008, pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)¹ and Rule 19b-4 thereunder.² The proposed rule change was published for public comment in the *Federal Register* on September 3, 2026.³ The Commission has received no comments on the changes proposed. For the reasons discussed below, the Commission is approving the proposed rule change.

I. BACKGROUND

As a registered clearing agency providing central counterparty services, CMESC is a covered clearing agency subject to clearing agency standards provided in Section 17A of the Act,⁴ and rules thereunder. Rule 17ad-22(e)(7) under the Act requires each covered clearing agency to maintain and hold qualifying liquid resources at a minimum to effect same-day, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios, including, but not limited

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 106243 (Aug. 31, 2026), 91 FR 56678 (Sept. 3, 2026) (File No. SR-CMESC-2026-008) (“Notice of Filing”).

⁴ 15 U.S.C. 78q-1(b)(3)(F).

to, the default of the participant family that would generate the largest aggregate payment obligation for the covered clearing agency in extreme but plausible market conditions.⁵ CMESC has established several liquidity tools in its Rules and policies and procedures to meet these requirements, including the Capped Liquidity Facility (“CLF”)⁶ in Rule 410, the associated CLF Procedure, and the Liquidity Risk Management Policy (“LRMP”).⁷ The CLF is designed to provide access to required liquidity in the event CMESC’s other sources of liquidity are unavailable or insufficient.

To facilitate the implementation of the CLF in connection with launching its Clearing Services, the proposed rule change would amend Rules 410 and 101 regarding the CLF and CLF Master Repurchase Agreement (“CLF MRA”), the CLF Procedure, and the LRMP, as described below.

II. DESCRIPTION OF THE PROPOSED RULE CHANGE

A. Amendments to Rule 410

1. Rules-Based CLF MRA

Under existing Rule 410(a) each Member is required to enter into a separate CLF MRA with CMESC to purchase Eligible Securities up to the Member’s Allocated CLF Amount if CMESC declares a CLF Event. First, the proposed rule change would amend Rule 410(a)(i) to provide instead that each Member is a party to a CLF MRA by operation of Rule 410(a) without any additional execution steps by CMESC or Members. CMESC states that it is proposing this rules-based MRA to mitigate administrative burdens on both

⁵ See Rule 17ad-22(e)(7)(i) and (ii), 17 CFR 240.17ad-22(e)(7)(i) and (ii).

⁶ Capitalized terms used herein and not defined have the meanings assigned to such terms in the Rules of CME Securities Clearing Inc. (“Rules”), as applicable, *available at* <https://www.cmegroup.com/rulebook/CMESC/CMESC%20Rulebook.pdf>.

⁷ The LRMP and CLF Procedure were submitted to the Commission as part of the Application.

CMESC and the Members in preparing and executing separate agreements and to promote efficiency and consistency.⁸

Second, the proposed rule change would modify the first sentence of Rule 410(a)(i) to make clear that the CLF MRA will be on terms set out at the end of Rule 410 and move existing Rule 410(a)(ii)(A)-(F) that contains the terms of CLF MRA to the end of Rule 410 with certain adjustments, as described below:

- The proposed CLF MRA set out at the end of Rule 410 will include new language to provide that the CLF MRA is entered into between CMESC and each Member by operation of Rule 410 and that capitalized terms used but not defined in the CLF MRA have the meanings set forth in the Rules;
- As a rules-based agreement, the proposed CLF MRA will incorporate by reference the SIFMA Master Repurchase Agreement September 1996 version (“SIFMA MRA”) (without the referenced annexes therein), rather than being established as a separate agreement in a form based on the SIFMA Master Repurchase Agreement as provided in existing Rule 410(a)(ii), and will provide that each CLF Transaction is subject to the terms of the SIFMA MRA and Rule 410(a);
- In addition to incorporating the SIFMA MRA, the proposed CLF MRA will provide that, notwithstanding anything else in the SIFMA MRA, certain terms will apply to CLF Event Transactions between CMESC and the Member. These terms are listed as paragraphs (a) – (g) in the proposed CLF MRA and are described below:

⁸ See Notice of Filing, *supra* note 3, 91 FR at 56679.

- Existing Rule 410(a)(ii)(A) will become new paragraph (a) in the proposed CLF MRA except that the reference to “this Rule 410” will be changed to “Rule 410”;
- Existing Rule 410(a)(ii)(B) will become new paragraph (b) of the proposed CLF MRA and the proposed rule change would create a new defined term “Liquidating Trade” to refer to a trade liquidating the financed securities in clause (x) of this new paragraph (b);
- Existing Rule 410(a)(ii)(C) will become new paragraph (c) of the proposed CLF MRA and a new sentence would be added from existing Rule 410(g) to new paragraph (c), which will provide that “[e]ach CLF Event Transaction will be entered into on an overnight basis, unless otherwise specified by the Corporation”; the text of “trade liquidating the financed securities” in clause (x) of this new paragraph (c) would be replaced with “Liquidating Trade” as a result of the creation of the new defined term described above; the text “upon expiration of the term of a CLF Event Transaction” would be added to the end of clause (z) of this new paragraph (c) to clarify that each CLF Event Transaction will remain open until the occurrence of the CLF Event Transaction Termination Date upon expiration of the term of a CLF Event Transaction;
- Existing Rule 410(a)(ii)(D) will become new paragraph (d) of the proposed CLF MRA with minor adjustments and will state that “[i]t shall be an “Event of Default” (for purposes of this CLF MRA) with

respect to the buyer under a CLF MRA if the Corporation ceases to act for the Member pursuant to Rule 901 or 902”;

- Existing Rule 410(a)(ii)(E) will become new paragraph (e) of the proposed CLF MRA with minor adjustments and will state that “[t]here shall be no “Event of Default” (for purposes of this CLF MRA) with respect to the Corporation as the seller other than a Corporation Default within the meaning of Rule 714”;
- Existing Rule 410(a)(ii)(F) will become new paragraph (f) of the proposed CLF MRA without any changes;
- Finally, the proposed rule change would add a new paragraph (g) in the proposed CLF MRA to deal with any potential conflicts between the CLF MRA and SIFMA MRA, which states that in the event of any inconsistency between the terms of the SIFMA MRA and the CLF MRA, the terms of the CLF MRA will govern.
- After moving existing Rule 410(a)(ii) to the proposed CLF MRA at the end of Rule 410, existing Rule 410(a)(i) would be renumbered as Rule 410(a).

Finally, the proposed rule change would make additional clean-up changes to Rule 410(a). First, the proposed rule change would remove a sentence in existing Rule 410(a)(i) regarding the categories of securities CMESC may include as Eligible Securities in the context of a CLF Event Transaction. This sentence repeats the same provision in existing Rule 410(e) (to be renumbered as Rule 410(c) as described below) and its deletion will remove redundancy. Second, the phrase “pursuant to Rule 410(b) below” would be added

to the last sentence of Rule 410(a)(i) to clarify that CMESC's declaration of a CLF Event and the ensuing actions taken by CMESC will be pursuant to Rule 410(b).

2. CLF Size and Allocated CLF Amount

Existing Rule 410(i) (to be renumbered as Rule 410(e)) would be amended to provide additional detail regarding the calculations of the CLF size and the Allocated CLF Amount. CMESC states that these amendments do not change the existing methodology and formulae used to size the CLF and calculate each Member's allocation.⁹

a. Sizing the CLF

The proposed rule change would clarify the first sentence of Rule 410(i)(i) regarding the assessment CMESC conducts at least quarterly by specifying that CMESC shall conduct an assessment at least every quarter, or more frequently as CMESC deems appropriate, "to determine the required size of the CLF and each Member's Allocated CLF Amount." CMESC states that this additional detail clarifies the purpose of the quarterly assessment (or more frequently as determined appropriate by CMESC) that will determine the size and allocation of the CLF.¹⁰

Second, the proposed rule change would provide additional details regarding its calculation of the size of the CLF. CMESC states that these changes are designed to provide clarity and transparency in how CMESC calculates the size of the CLF and that they do not change the existing methodology to size the CLF.¹¹ Currently, Rule 410(i)(i) provides that CMESC will determine the size of the CLF through the assessment to evaluate its hypothetical liquidity need in the event of a default of a Participant Family (defined as the

⁹ *Id.*

¹⁰ *Id.* at 56680.

¹¹ *Id.*

“Stress Potential Payment Obligation” or “SPPO”) to which CMESC would be obligated to make the largest cash payment. The proposed rule change would modify the second sentence of Rule 410(i)(i) to make clear that CMESC would calculate the SPPO of each Participant Family by evaluating the hypothetical cash settlement obligation that CMESC may experience in the event of a Default of such Participant Family in extreme but plausible market conditions, using a lookback period deemed appropriate by CMESC. The proposed rule change would also add a new sentence to Rule 410(i)(i) to explain that CMESC will use the largest SPPO across all Participant Families (defined as “Cover 1 SPPO”) over the designated lookback period as the starting point for determining the required size of the CLF.

Finally, the proposed rule change includes non-substantive changes to the last sentence of Rule 410(i)(i) (renumbered as Rule 410(e)(i)). Specifically, the proposed rule change would add certain text to specify that CMESC may “also” consider other factors it deems relevant “in sizing the CLF” to make clear that in addition to assessing the SPPO of each Participant Family over the designated lookback period and to determine the Cover 1 SPPO over the lookback period as the starting point in determining the size of the CLF, CMESC may also consider other factors it deems relevant in its calculation of the size of the CLF. As a result of these proposed revisions, the proposed rule change would eliminate a redundant phrase “in determining the required size of the CLF (e.g., aggregated Allocated Capped CLF Amounts of all Members)” from the end of this sentence and add “as deemed relevant by the Corporation” to the end of this sentence as a clarifying change.

b. Calculation of the Allocated CLF Amount

The proposed rule change would also include amendments to Rule 410(i)(ii)

(renumbered as Rule 410(e)(ii)). CMESC states that these changes are designed to enhance the description of the calculation of the Allocated CLF Amount for added clarity and transparency and would not change the calculation or methodology used to determine each Member's Allocated CLF Amount, as described in the Application materials.¹²

First, existing Rule 410(i)(ii) provides that CMESC shall calculate each Member's Allocated CLF Amount at the time CMESC performs its assessment referred to in clause (i) of Rule 410(i). The proposed rule change would amend this sentence to clarify that CMESC will calculate each Member's Allocated CLF Amount at the time "as" it performs its assessment and change the reference to "clause (i)" in this sentence to Rule 410(e)(i) due to renumbering Rule 410(i) to Rule 410(e).

Second, the second sentence of current Rule 410(i)(ii) states that, each Member's Allocated CLF Amount will be calculated on a pro rata basis, based on the size of each Member's "SPPO" relative to the total aggregate SPPO across all Members. The proposed rule change would add a new defined term "Maximum SPPO", as described in the paragraph below, and would specify that the Maximum SPPO is determined using "a designated lookback period" in the second sentence of Rule 410(i)(ii). As such, the proposed rule change would modify the second sentence of Rule 410(i)(ii) to provide that "[e]ach Member's Allocated CLF Amount will be calculated on a pro rata basis, based on the size of each Member's Maximum SPPO during the designated lookback period relative to the total aggregate Maximum SPPOs across all Members during the same period." The proposed rule change would also define the pro rata ratio described in this sentence as the "Obligation Ratio."

¹² *Id.*

Third, the proposed rule change would amend the third sentence of existing Rule 410(i)(ii) by replacing the first reference to each Member's "SPPO" with the "Maximum SPPO for purposes of calculating the Member's Obligation Ratio." In addition, the proposed rule change would clarify that a Member's Maximum SPPO is calculated by taking the sum of the Member's largest SPPO plus the two largest SPPOs among the Users it authorizes, if applicable, over the designated lookback period. The word "two" would be inserted before the term "largest SPPO", while pluralizing the latter reference in the existing text. In the same sentence, "of the two" would be deleted and replaced with "among the." Parallel changes would be included in the subsequent sentence. CMESC states that this formulation is intended to result in a clearer, more precise description of CMESC's process for incorporating User SPPOs in the calculation of a Member's Maximum SPPO and aligns with the way the process is described in the CLF Procedure.¹³ CMESC states that the process itself is unchanged; only the language in the Rulebook and the CLF Procedure used to describe the calculation process is being updated for additional clarity.¹⁴

Fourth, "SPPO" would be replaced with "Maximum SPPO" in the fourth sentence of existing Rule 410(i)(ii) to conform to the defined term and to add "Obligation Ratio and" in front of Allocated CLF Amount to make clear that CMESC, at its sole discretion, can add a multiplier to a particular Member's Maximum SPPO as part of determining that Member's Obligation Ratio and Allocated CLF Amount.

Fifth, the proposed rule change would add a sentence between the fourth sentence

¹³ *Id.*

¹⁴ *Id.*

and fifth sentence in existing Rule 410(i)(ii) to enhance the description of the allocation of the CLF, which provides that each Member's Allocated CLF Amount is calculated as the product of the Member's Obligation Ratio and the required CLF size determined in accordance with Rule 410(e)(i), which provides for at least quarterly resizing (or more frequently as the Corporation deems appropriate). Although this calculation is implied in the second sentence of existing Rule 410(i)(ii) regarding each Member's Allocated CLF Amount calculated on a pro rata basis, CMESC states that by explicitly establishing how a Member's Allocated CLF Amount is calculated, the proposed change will provide clarity and transparency with respect to each Member's CLF obligation.¹⁵

With respect to informing each Member of its individual Allocated CLF Amount, the proposed rule change would clarify that CMESC will provide each Member with its individual Allocated CLF Amount following each re-sizing of the CLF. Therefore, references to the "periodic report" from the fifth sentence would be deleted and "following each resizing of the CLF" would be added to the same sentence.

Finally, the proposed rule change would combine and restate the last two sentences of existing Rule 410(i)(ii). The changes consist of restating CMESC's obligation to notify each Member of its Allocated CLF Amount following each resizing, and to remove a redundancy regarding Members' obligations to enter into CLF Event Transactions upon CMESC's declaration of a CLF Event, which is already provided for in greater detail in Rule 410(b)(i)(B).

c. Member Information to Facilitate CLF Calculations

In addition to the proposed changes described above, which are designed to enhance

¹⁵ *Id.* at 56681.

the description of the CLF allocation, CMESC also proposes modifications to Rule 410(i)(ii) (renumbered as Rule 410(e)(ii)) to provide a new requirement for a Member, in order to commence clearance and settlement of Eligible Securities Transactions, to provide information to CMESC to support CMESC's determination of such Member's Allocated CLF Amount. Specifically, the proposed rule change would insert in Rule 410(i)(ii) a provision that requires a Member to provide certain information, including, without limitation, the projected volumes and sizes of Eligible Securities Transactions to be submitted for clearance and settlement by the Member and its authorized Users, if any, over a period deemed relevant by CMESC, which will be incorporated as an input into the sizing and allocation calculations for the CLF. CMESC states that this information is intended to facilitate CMESC's assessment of the Cover 1 SPPO as well as a Member's Maximum SPPO for purposes of calculating the Member's Allocated CLF Amount during an initial ramp-up phase.¹⁶ CMESC states that its Cover 1 SPPO calculations and Maximum SPPO calculations for new Members will leverage this projected data and blend it with data from the Member's actual cleared activity on a going-forward basis, until the appropriate lookback period has lapsed.¹⁷ For avoidance of doubt, the information required under the proposed changes to Rule 410(i)(ii), renumbered as Rule 410(e)(ii), serves as an input to existing methodologies for calculating the size and allocation of the CLF, which are unchanged by the proposed modifications.

3. Other Clarifying and Technical Amendments to Rule 410

CMESC further proposes several non-substantive, clarifying changes to Rule 410

¹⁶ *Id.*

¹⁷ *Id.*

to improve readability and remove redundancies. The table below lists each Rule 410 subsection which CMESC is proposing changes, describing the proposed changes, and indicating the types of changes, *i.e.*, whether the changes are in the nature of clarification, technical, or incorporation of proposed changes to Rule 410.

Rule	Proposed Change	Purpose
Rule 410(b)(i)(A)	To facilitate readability, added the sentence “the Corporation has sole discretion as to the non-Defaulting Members with whom it will enter into CLF Event Transactions upon declaration of a CLF Event and the terms of each such transaction;” from existing Rule 410(c).	Clarification; consolidated existing Rule 410(c) into Rule 410(b)(i)(A)
Rule 410(b)(i)(B)	Added “selected to participate in CLF Event Transactions” to refer more precisely to the Member that is selected by CMESC to participate in CLF Event Transactions. Added “and any additional pertinent information; Upon notice from the Corporation, such Member must enter into the CLF Event Transaction(s) with the Corporation at an aggregate purchase price up to the maximum amount allocated to such Member (‘Allocated CLF Amount’) as calculated by the Corporation” from existing Rule 410(d). Created the defined term “Allocated CLF Amount” to replace existing “Allocated Capped CLF Amount” throughout Rule 410.	Clarification; consolidated existing Rule 410(d) into Rule 410(b)(i)(B)
Rule 410(b)(i)(C)	Replaced “an aggregate purchase price up to the maximum amount allocated to such Member (‘Allocated Capped CLF Amount’)” with “the aggregate purchase price determined by the Corporation, in its sole discretion.”	Clarification; removed redundancy that overlaps with 410(b)(i)(B)
Rule 410(b)(i)(D)	Deleted existing Rule 410(b)(i)(D) in its entirety (<i>i.e.</i> , “Pursuant to the terms of the CLF MRA, each CLF Event Transaction will remain open until the earlier of (x) such time that the Corporation has executed a trade liquidating the financed securities (‘Liquidating Trade’), (y) such time that the Corporation has obtained liquidity through its other available liquid	Removed redundancy that overlaps with paragraph (c) of CLF MRA

	resources and closes the CLF Event Transactions or (z) the CLF Event Transaction Termination Date”). Added “Each CLF Event Transaction will remain open pursuant to and in accordance with the terms of the CLF MRA set forth at the end of this Rule 410” to set out the sequence of events and the timeline of a CLF Event Transaction.	
Rule 410(b)(i)(E)	Added “that is a” to refer to each Member “that is a” party to a CLF Event Transaction. Added “exchange for cash in” to the part that states “each such Member to deliver the related Eligible Securities to the Corporation in exchange for cash in order to enable the Corporation to complete settlement....”	Technical and Clarification
Rule 410(c)	Deleted.	Technical; consolidated into Rule 410(b)(i)(A)
Rule 410(d)	Deleted.	Technical; consolidated into Rule 410(b)(i)(B)
Rule 410(e)	Renumbered as Rule 410(c).	Technical
Rule 410(f)	Renumbered as Rule 410(d).	Technical
Rule 410(g)	Deleted.	Technical; consolidated into CLF MRA paragraph (c)
Rule 410(h)	Deleted.	Technical; removed to reduce redundancy due to overlap with Rule 410(b)(i)(E)
Rule 410(j)	Renumbered as Rule 410(f). Replaced “Allocated Capped CLF Amount” with “Allocated CLF Amount” for consistency with the new proposed defined term.	Technical
Rule 410(k)	Renumbered as Rule 410(g).	Technical

Rule 410(l)	Renumbered as Rule 410(h).	Technical
Rule 410	Added “to” in the legacy text relocated to CLF MRA paragraph (d) for grammatical accuracy.	Technical

B. Amendments to Rule 101

As a result of the proposed changes to Rule 410(a) described above to create a rules-based CLF MRA, the definition of “CLF MRA” in Rule 101 would be amended to conform to the proposed changes to Rule 410(a). The proposed rule change would add more detail to the definition of “CLF MRA” in Rule 101 to prescribe that “CLF MRA means a Capped Liquidity Facility Master Repurchase Agreement formed between a Member and the Corporation by operation of Rule 410(a), which governs any CLF Event Transaction between the Member and the Corporation, as defined and further prescribed in Rule 410.” This new definition clarifies that the CLF MRA is a rules-based agreement between a Member and CMESC by operation of Rule 410(a) and that CLF MRA governs CLF Event Transactions between the Member and CMESC as further prescribed in Rule 410.

C. Amendments to CLF Procedure

The CLF Procedure establishes a framework for the governance, execution and testing of CMESC’s CLF, covering areas such as calculation of the size and apportioning of CLF among Members, administration of CLF Event Transactions, notification to Members, Member attestation, and operational testing. As a result of the proposed amendments to Rule 410 described above, CMESC states that similar changes would be made to the CLF Procedure that are consistent with the proposed amendments to Rule

410, as described below, for the purpose of aligning provisions of the CLF Procedure with Rule 410.¹⁸

1. Rules-based CLF MRA

The proposed rule change would amend the Governance section of the CLF Procedure to add that CLF Event Transactions are governed by a CLF MRA, as set out in the Rules. This proposed addition is to align with and acknowledge the proposed amendment to Rule 410 to state that each Member is a party to a CLF MRA pursuant to and by operation of Rule 410(a), without additional steps taken by CMESC or Members to execute an agreement. The proposed rule change would also update the internal governance committee identified in the Governance section that is responsible for reviewing and approving the CLF Procedure on at least an annual basis.

2. Sizing the CLF

The proposed rule change would amend the Sizing of the Facility section of the CLF Procedure to add that CMESC may consider additional factors in addition to the Cover 1 SPPO amount, including but not limited to information requested from Members. These proposed additions are to align with and acknowledge similar proposed amendments to Rule 410 as described above.

More specifically, the proposed rule change would modify the Sizing of the Facility section of the CLF Procedure to clarify that the objective of its CLF sizing methodology is to use the Cover 1 SPPO as the starting point for estimating CMESC's hypothetical liquidity needs under extreme but plausible market conditions. The proposed rule change would add language to this section to mirror and align with the language at Rule 410(i)(i)

¹⁸ *Id.* at 56682.

(to be renumbered as Rule 410(e)(i)), which provides consideration of these historical and relevant factors in sizing the CLF.

CMESC also proposes that the CLF Procedure expressly state that with respect to a Member approved by CMESC to commence clearance and settlement of Eligible Securities Transactions, a Member's SPPO may be based on information provided by the Member, in accordance with abovementioned amendments to the Rules. This addition would account for circumstances where CMESC does not already have historical trade submission data from the Member to determine that Member's SPPO (*e.g.*, a new Member) and CMESC seeks to request from and rely on appropriate information supplied by a Member in order for CMESC to determine a Member's SPPO. This addition also would bring the CLF Procedure into alignment with Rule 410, as proposed to be amended.

3. Apportioning the CLF

The proposed rule change would amend the Apportioning section of the CLF Procedure to similarly add that CMESC may request information from Members to facilitate CMESC's calculation of each Member's Allocated CLF Amount and to remove the description of how CMESC would otherwise calculate the CLF obligation of a Member that had no transactions during the relevant lookback period. The proposed additions are to align with and acknowledge the proposed amendments to Rule 410(i)(ii).

Consistent with proposed changes to Rule 410(i)(ii) (renumbered as Rule 410(e)(ii)), the CLF Procedure would provide that a Member's Maximum SPPO may be based on information requested by CMESC, including the Member's projected volumes and sizes of transactions to be cleared, to be calculated using a minimum lookback period as defined in the CLF Procedure. The proposed change is designed to establish a method for

CMESC to compute each Member's Allocated CLF Amount in accordance with CMESC Rules.

4. Notification and Attestation

The proposed rule change would modify the Notification and Attestation sections of the CLF Procedure to clarify that on at least a quarterly basis and upon any resizing of the CLF, each Member will be informed of its individual Allocated CLF Amount, as well as the effective date of any amended Allocated CLF Amount. An authorized representative must acknowledge and affirm the Member's potential CLF obligations on at least an annual basis, as well as make other acknowledgments as required to ensure Members are aware of and prepared to meet their relevant obligations.

These proposed changes regarding notice would be consistent with changes proposed for Rule 410. CMESC states that these proposed amendments would enhance clarity on the operation of the CLF and that they are reasonably designed to ensure that CMESC and its Members will engage in meaningful and helpful information exchange in support of assuring that Members meet their obligations under the CMESC Rules, thereby facilitating CMESC meeting its obligations under the Act and the rules thereunder.¹⁹

5. Other Clarification and Clean-Up Changes

Finally, the proposed rule change would include other clarifying, clean-up changes throughout the CLF Procedure. CMESC's proposed clarifying, clean-up changes fall within the following categories: (1) use capitalized terms for consistency with the CMESC Rules

¹⁹ *Id.* at 56683.

and, where indicated, the LRMP and the CLF Procedure;²⁰ (2) use precise terminology consistently across the CMESC Rules, the LRMP, and the CLF Procedure;²¹ (3) correct minor grammatical or typographical errors; and (4) make clarifying changes to improve the readability of the CLF Procedure. CMESC states that these changes do not change the substance of the proposed rule change.²²

D. Proposed Amendments to LRMP

The proposed rule change includes several corresponding modifications to the LRMP to align with proposed changes to Rule 410 as discussed above. The LRMP contains CMESC's policies and procedures to monitor, measure, and manage potential liquidity events and resources available to satisfy liquidity obligations in extreme but plausible market conditions. Specifically, the proposed rule change would amend Section 5.5.3.2. provisions on the declaration of a CLF Event to clarify that CMESC will notify Members of their CLF Event Transactions and also the cash amount required to be obtained (in total across Members and per Member), the type and volume of securities to be utilized, and the initial tenor of the CLF Event Transactions, and declare an end to the CLF Event once it has determined that the CLF Event Transactions entered into pursuant to the CLF are no longer necessary. Additionally, conforming changes to Sections 6.1.1.4.2. and 6.1.1.4.3. would clarify that CLF sizing is based primarily on Cover 1 SPPO, and apportioning is based primarily on the Member's maximum SPPO and the maximum SPPOs across all Members

²⁰ As examples, the proposed rule change would use capitalized terms as defined in CMESC's Rules, including "CLF Event Transaction(s);" "Corporation;" "Allocated CLF Amount," consistently throughout Sections 3 through 10 of the CLF Procedure.

²¹ As examples, Section 3.2 of the CLF Procedure would be revised to replace phrases like "financial obligations" with "liquidity needs" and "funding" to "liquidity" to be consistent with the terminology used in the CMESC Rules.

²² See Notice of Filing, *supra* note 3, 91 FR at 56683.

within a defined lookback period, consistent with proposed changes to Rule 410. The proposed rule change would include additional changes to Section 6.1.1.4.2. to align the description of frequency for determining the size of the CLF at least quarterly, or more frequently if CMESC determines appropriate, with that in Rule 410(e)(i). Finally, CMESC states that other non-substantive clarifying, organizational and cleanup changes to the LRMP would be designed to fully align the LRMP with the proposed changes in Rule 410.²³

III. DISCUSSION AND COMMISSION FINDINGS

Section 19(b)(2)(C) of the Act²⁴ directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and rules and regulations thereunder applicable to such organization. After careful review of the proposed rule change, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to CMESC. More specifically, for the reasons given below, the Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act²⁵ and Rules 17ad-22(e)(1) and (e)(7) thereunder.²⁶

A. Consistency with Section 17A(b)(3)(F)

Section 17A(b)(3)(F) of the Act requires, in part, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities

²³ *Id.*

²⁴ 15 U.S.C. 78s(b)(2)(C).

²⁵ 15 U.S.C. 78q-1(b)(3)(F).

²⁶ 17 CFR 240.17ad-22(e)(1) and (e)(7).

transactions and, in general, to protect investors and the public interest.²⁷

As described above in Section II.A.1., the proposed rule change would establish a rules-based CLF MRA under which each Member is bound by a unified, standardized agreement by operation of Rule 410(a), without the need for CMESC and each Member to negotiate and execute separate bilateral agreements. This approach should avoid the administrative burden and delay associated with preparing and executing numerous separate agreements, fosters consistency by ensuring all Members are subject to a unified set of terms, and provides legal certainty regarding the rights and obligations of CMESC and its Members in a CLF Event. By facilitating the prompt implementation of the CLF, the proposed rule change helps ensure that CMESC has sufficient qualifying liquid resources to meet its settlement obligations in the event of a Member default. As a result, the proposed rule change promotes the prompt and accurate clearance and settlement of securities transactions and the protection of investors and the public interest, consistent with Section 17A(b)(3)(F) of the Act.

Further, as described above in Section II.A.2, the amendments to Rules 410(i)(i) and (ii) (renumbered as Rules 410(e)(i) and (ii)), and the conforming changes to the CLF Procedure and LRMP, which include additional details regarding CMESC's calculation of the Cover 1 SPPO used to size the CLF and each Member's Maximum SPPO, Obligation Ratio, and Allocated CLF Amount, should support Members' ability to understand and plan for their potential CLF obligations. Moreover, the new information requirement for Members to commence clearing Eligible Securities Transactions should enable CMESC to receive the information it deems relevant to size and allocate the CLF appropriately and

²⁷ 15 U.S.C. 78q-1(b)(3)(F).

continue to meet its liquidity needs. These changes should reduce the risk of settlement failure by helping ensure that CMESC has sufficient liquid resources to meet its settlement obligations in the event of a Member default, thereby protecting investors and the public interest, consistent with Section 17A(b)(3)(F) of the Act.

Finally, the clarifying and technical amendments to Rule 410, the CLF Procedure, and the LRMP, which remove redundancies and align terminology across CMESC's Rules, the CLF Procedure, and the LRMP, support CMESC's ability to administer the CLF consistently and without ambiguity, which in turn supports CMESC's ability to meet its settlement obligations, thereby promoting the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.

For these reasons, the Commission finds that the proposed rule change promotes the prompt and accurate clearance and settlement of securities transactions and protects investors and the public interest, consistent with Section 17A(b)(3)(F) of the Act.

B. Consistency with Rule 17ad-22(e)(1)

Rule 17ad-22(e)(1) under the Act requires that a covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for a well-founded, clear, transparent, and enforceable legal basis for each aspect of its activities in all relevant jurisdictions.²⁸

As described above, the proposed rule change establishes a rules-based CLF MRA in Rule 410, with a conforming definitional change in Rule 101, and makes conforming, clarifying, and technical changes to Rule 410, the CLF Procedure, and the LRMP to ensure consistent use of defined terms and precise terminology throughout. These changes should

²⁸ 17 CFR 240.17ad-22(e)(1).

improve the readability, clarity, and transparency of CMESC's Rules by ensuring that defined terms and precise terminology are used consistently throughout. Further, by incorporating the SIFMA MRA by reference and providing that the CLF MRA governs in the event of an inconsistency with the SIFMA MRA, the proposed rule change should provide a clear, transparent, and enforceable legal basis for CMESC and its Members' rights and obligations in a CLF Event. Accordingly, the proposed rule changes are consistent with Rule 17ad-22(e)(1).

C. Consistency with Rule 17ad-22(e)(7)

Rule 17ad-22(e)(7) under the Act requires, in part, that a covered clearing agency 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.²⁹

Specifically, Rule 17ad-22(e)(7)(i) under the Act requires policies and procedures for maintaining sufficient qualifying liquid resources to effect same-day settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios, including the default of the participant family that would generate the largest aggregate payment obligation in extreme but plausible market conditions.³⁰

As described above, the proposed changes to Rules 410 and 101, the CLF Procedure, and LRMP facilitate CMESC's implementation of the CLF by creating a rules-

²⁹ Rule 17ad-22(e)(7).

³⁰ Rule 17ad-22(e)(7)(i), 17 CFR 240.17ad-22(e)(7)(i).

based CLF MRA designed to provide CMESC with a liquidity resource in the event that CMESCs other liquidity resources prove insufficient during a Member default, enhancing the descriptions of the calculation of the CLF and each Member's Allocated CLF Amount, adding the information requirement imposed on Members to allow CMESC to receive information deemed relevant by CMESC to assess the size of the CLF and determine a new Member's Allocated CLF Amount, and making conforming, clarifying and technical changes to reduce redundancy and promote clarity. These changes should support CMESC's ability to effectively assess and determine the CLF sizing and allocation and support Members' ability to understand and plan for their potential CLF obligations, which should strengthen CMESC's measurement, monitoring, and management of liquidity risk and help CMESC maintain and hold 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 obligation in extreme but plausible market conditions. In particular, because the CLF is sized starting from the Cover 1 SPPO, and it serves as a backstop when CMESC's other sources of liquidity are unavailable or insufficient, clarifying the sizing and allocation process and ensuring that CMESC has the Member information needed to compute it should help CMESC maintain an appropriately sized and allocated facility, consistent with Rule 17ad-22(e)(7).

IV. CONCLUSION

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act³¹ and the rules and regulations promulgated thereunder.

³¹ 15 U.S.C. 78q-1.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act³² that proposed rule change SR-CMESC-2026-008 be, and hereby is, APPROVED.³³

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁴

Sherry R. Haywood,

Assistant Secretary.

³² 15 U.S.C. 78s(b)(2).

³³ In approving the proposed rule change, the Commission considered the proposals' impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

³⁴ 17 CFR 200.30-3(a)(12).