

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-99802; File No. SR-DTC-2024-003)

March 20, 2024

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change to Amend the Clearing Agency Risk Management Framework

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 11, 2024, The Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

(a) The proposed rule change consists of amendments to the Clearing Agency Risk Management Framework (“Risk Management Framework”, or “Framework”) of DTC and its affiliates, Fixed Income Clearing Corporation (“FICC”) and National Securities Clearing Corporation (“NSCC,” and together with FICC and DTC, the “Clearing Agencies”).<sup>3</sup>

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

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

<sup>3</sup> See Securities Exchange Act Release Nos. 81635 (Sep. 15, 2017), 82 FR 44224 (Sep. 21, 2017) (SR-DTC-2017-013; SR-FICC-2017-016; SR-NSCC-2017-012) (“Initial Filing”), Securities Exchange Act Release No. 89271 (July 9, 2020), 85 FR 42933 (July 15, 2020) (SR-NSCC-2020-012); Securities Exchange Act Release No. 89269 (July 9, 2020), 85-42954 (July 15, 2020) (SR-DTC-2020-009); Securities Exchange Act Release No. 89270 (July 9, 2020), 85-42927 (July 15, 2020) (SR-FICC-2020-007); Securities Exchange Act Release No. 96799 (Feb. 03, 2023), 88 FR 8506 (Feb. 9, 2023) (SR-DTC-2023-001); Securities Exchange Act Release No. 96800 (Feb. 3, 2023), 88-8491 (Feb. 9, 2023) (SR-FICC-2023-

The proposed rule change would amend the Framework to (1) describe how the Clearing Agencies may solicit the views of their participants and other industry stakeholders, for example, in developing new services or risk management practices, and in evaluating existing products or risk management practices; (2) provide for the annual assessment and subsequent review of FICC’s Government Securities Division (“GSD”) access models by FICC’s Board of Directors (“FICC Board”), in compliance with the requirements of Rule 17Ad-22(e)(18)(iv)(C) under the Act; and (3) make other conforming and clean up changes to the Framework, as described in greater detail below.<sup>4</sup>

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

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001); Securities Exchange Act Release No. 96801 (Feb. 3, 2023), 88-8502 (Feb. 9, 2023) (SR-NSCC-2023-001); Securities Exchange Act Release No. 99097 (Dec. 6, 2023), 88-86186 (Dec. 12, 2023) (SR-FICC-2023-016); Securities Exchange Act Release No. 99098 (Dec. 6, 2023), 88-86183 (Dec. 12, 2023) (SR-NSCC-2023-012); and Securities Exchange Act Release No. 99108 (Dec. 07, 2023), 88 FR 86430 (Dec. 13, 2023) (SR-2023-DTC-012) (together with the Initial Filing, “Framework Filings”).

<sup>4</sup> 17 CFR 240.17Ad-22(e)(18)(iv)(C). See Securities Exchange Act Release No. 99149 (Dec. 13, 2023), 89 FR 2714 (Jan. 16, 2024) (“Adopting Release,” and the rules adopted therein referred to herein as “Treasury Clearing Rules”). FICC must implement the new requirements of Rule 17Ad-22(e)(18)(iv)(C) by March 31, 2025.

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 Clearing Agency Risk Management Framework provides an outline for, among other things, how each of the Clearing Agencies comprehensively manages the risks, including the legal, credit, liquidity, operational, general business, investment, custody, and other risks, that arise in or are borne by it and, in this way, supports the Clearing Agencies' compliance with certain requirements of Rule 17Ad-22(e) under the Act, as described in the Framework Filings.<sup>5</sup>

The Clearing Agencies routinely solicit their participants' and other industry stakeholders' views when developing new products, services or risk management practices, and when evaluating existing products, services or risk management practices in order to continue to meet the industry's needs, consistent with their responsibility to provide sound risk management and comply with other applicable provisions of the Exchange Act. Solicitation of industry views may be undertaken in a number of ways, including targeted outreach to firms expected to be impacted by a proposal to broader engagement with a stakeholder council that is assembled to consider issues relevant to a proposal.

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<sup>5</sup> See supra note 3. As described in the Framework Filings, the Framework describes how the Clearing Agencies address their respective compliance with the requirements of Rules 17Ad-22(e)(1), (3), (20), (21), (22) and (23). 17 CFR 240.17Ad-22(e)(1), (3), (20), (21), (22) and (23).

Furthermore, the Commission recently adopted amendments to Rule 17Ad-22(e)(18)(iv)(C) under the Act that are applicable to FICC as a covered clearing agency that provides, through GSD, central counterparty services for transactions in U.S. Treasury securities. Rule 17Ad-22(e)(18)(iv)(C) requires that the FICC Board annually review the policies and procedures that are reasonably designed to ensure that FICC has appropriate means to facilitate access to clearance and settlement services of all eligible secondary market transactions in U.S. Treasury securities, including those of indirect participants.<sup>6</sup> In connection with this requirement, FICC would conduct an annual assessment of its access models, which would include the solicitation of participant and other stakeholder views, prior to the FICC Board's review of those models. The proposed rule changes to the Framework would describe the scope of this annual assessment of GSD's access models and the FICC Board's subsequent review. These proposed changes would facilitate FICC's compliance with the requirements of Rule 17Ad-22(e)(18)(iv)(C).<sup>7</sup>

Therefore, the proposed changes would amend the Framework to (i) describe the Clearing Agencies' solicitation of participant and stakeholder views in connection with their development and evaluation of products, services and risk management practices; (ii) describe the annual assessment of GSD's access models, which would include solicitation of participant and stakeholder views, and the subsequent annual review of

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<sup>6</sup> Supra note 4.

<sup>7</sup> Id. Contemporaneous with this filing, FICC will file separate proposed rule changes to address other requirements applicable to it and adopted as part of the Treasury Clearing Rules.

those models by FICC’s Board; and (iii) make other conforming and clean-up changes to the Framework, as discussed in further detail below.

*i. Solicitation of Participant and Stakeholder Views*

Currently, Section 3 of the Framework outlines the Clearing Agencies’ risk management strategies for managing Key Clearing Agency Risks in compliance with Rule 17Ad-22(e)(3).<sup>8</sup> As noted above, the Clearing Agencies may, and regularly do, solicit the views of their participants and other industry stakeholders when, for example, developing new products, services or risk management measures, or when evaluating or making enhancements to existing products, services or risk management measures. This engagement can take many forms, including, for example, targeted outreach to firms that may be impacted by the matter being evaluated, wider solicitation of views through industry surveys, or through the engagement of a standing stakeholder council that has been established to advise on the matters related to the proposal.

The Clearing Agencies’ consideration of these views supports its management of risks by ensuring that its activities continue to meet the needs of the industry its serves, consistent with their responsibility to provide sound risk management and comply with other applicable provisions of the Exchange Act. For example, participants and other stakeholders could identify any unintended impacts a proposal may have on their

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<sup>8</sup> “Key Clearing Agency Risks” are defined in Section 3 of the Framework and include, “legal, credit, liquidity, operational, general business, investment, custody, and other risks, that arise in or are borne by the Clearing Agencies.” Supra note 3.

business models or practices and provide the Clearing Agencies with recommendations on how to meet the goal of a proposal through alternative approaches.

Therefore, the proposed changes would add Section 3.4 to the Framework to describe how the Clearing Agencies may solicit the views of participants and stakeholders. A subsection 3.4.1 would describe how such solicitation may occur generally, including, for example, through targeted outreach to specific participants impacted by a proposal, more widely distributed surveys, and ad hoc forums, as well as through the establishment of standing advisory councils made up of representatives of the participants and other stakeholders. This subsection would also identify the stakeholders that may participate in such councils, including, for example, representatives from transfer agents, liquidity providers, market infrastructures, institutional and retail investors, customers of the Clearing Agencies' participants, securities issuers, and securities holders. The proposed changes would provide general description of how the Clearing Agencies may solicit the views of participants and other industry stakeholders, but would not create an obligation for the Clearing Agencies to conduct such outreach in any particular circumstances.

*ii. Annual Assessment and FICC Board Review of GSD's Access Models*

Additionally, the proposed Section 3.4, in a subsection 3.4.2, would describe more specifically that an advisory council would assist in an annual review of GSD's access models. This assessment of GSD's access models would be required to be

conducted annually by FICC and would precede an annual review of GSD's access models by the FICC Board, as required by Rule 17Ad-22(e)(18)(iv)(C).<sup>9</sup>

The annual review of GSD's access models would be designed to determine whether FICC continues to provide appropriate and flexible means to facilitate access to clearance and settlement of all eligible secondary market transactions in U.S. Treasury securities, including those of indirect participants, consistent with FICC's responsibility to provide sound risk management and comply with its applicable regulatory requirements. The proposed Section 3.4 of the Framework would further provide that the annual review would include the following, in furtherance of its goal: (1) document any instance in which FICC treats transactions differently and confirm that any variation in treatment is both necessary and appropriate; (2) consider whether to enable GSD's Netting Members to submit to eligible transactions for clearance and settlement that have been executed by two indirect participants of FICC/GSD ("done-away"); (3) consider the volumes and proportion of the markets that are being centrally cleared through different access models; and (4) consider whether it is appropriate to develop and propose an additional category or categories of Netting Members to the GSD Rules to reflect the types of legal entities that applied to be a Netting Member over the prior 12 months and did not fit into one of the existing Netting Member categories.

Engaging participants, their customers and other stakeholders in this annual review would facilitate FICC's ability to meet these goals. Participants and other stakeholders could, for example, assist in identifying ways the GSD access models may

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<sup>9</sup> Supra note 4. Contemporaneous with this filing, FICC will file a separate proposed rule change to address the other requirements of Rule 17Ad-22(e)(18)(iv)(C).

treat their, or their customers' transactions differently and in assessing whether such variation in treatment is both necessary and appropriate. A stakeholder council, which would include representatives of participants, their customers and as well as other industry stakeholders, could also provide FICC with information regarding their business models and how they, and their customers, use GSD's clearing services. Through this outreach, FICC could better understand the volumes and proportions of the markets that are being centrally cleared through different access models. Participant and stakeholder views obtained in the review of GSD's access models would be included in the annual review of those models by the FICC Board and, therefore, support FICC's compliance with Rule 17Ad-22(e)(18)(iv)(C) under the Act.<sup>10</sup>

As noted above, FICC is separately filing a proposed rule change to address the other requirements of Rule 17Ad-22(e)(18)(iv)(C), including changes that would provide a framework for FICC to consider an applicant, including a legal entity that is organized or established under the laws of a country other than the United States, to be a Netting Member if that applicant does not meet the eligibility criteria of one of the existing Netting Member categories. In connection with its annual review of the GSD access models, the proposed changes to the Framework would also require that FICC review the types and number of legal entities that have applied to be a Netting Member under the proposed provision over the prior 12 months. Based on that review, FICC would determine whether it would be appropriate to adopt, through a proposed rule change, a

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<sup>10</sup> 17 CFR 240.17Ad-22(e)(18)(iv)(C).



new category of Netting Member and the applicable qualifications and membership standards.

*iii. Other Conforming and Clean Up Changes*

The Clearing Agencies would also make conforming and other clean up changes to the Framework. These changes would include changes to the Executive Summary of the Framework in Section 1 to (1) include the annual review of GSD’s access models, pursuant to Rule 17Ad-22(e)(18)(iv)(C) under the Act,<sup>11</sup> in the list of regulatory requirements that are addressed in the Framework; and (2) update the description of the contents of Section 3 of the Framework to include the solicitation of participant and stakeholder views and annual review of GSD’s access models as part of the Clearing Agencies’ management of risks.

The proposed changes would also remove the defined term “Management Committee” wherever referenced and replace it with “senior management committee.” The same internal management committee would maintain the responsibilities of the current Management Committee, as described in the Framework, but the proposed changes to remove the capitalized reference to this committee would allow the Framework to continue to be accurate notwithstanding any future changes to the name of this committee.

Other grammatical clean up changes would also be made to the Framework.

**Implementation Timeframe**

Subject to approval by the Commission, the Clearing Agencies expect to implement the proposal by no later than March 31, 2025, and would announce the

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<sup>11</sup> Id.

effective date of the proposed change by an Important Notice posted to the Clearing Agencies' website.

## 2. Statutory Basis

The Clearing Agencies believe that the proposed changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency, particularly, Section 17A(b)(3)(F) of the Act<sup>12</sup> and Rule 17Ad-22(e)(18)(iv)(C) under the Act,<sup>13</sup> for the reasons described below.

Section 17A(b)(3)(F) of the Act requires, in part, that the rules of a registered clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and assure the safeguarding of securities and funds which are in their custody or control or for which they are responsible.<sup>14</sup> The proposed changes would describe how the Clearing Agencies' solicit the views of their participants and stakeholders in developing new, and evaluating existing, products, services and risk management practices. As described above, by soliciting these views, the Clearing Agencies would be able to identify, for example, any unintended consequences a proposal may have on its participants and obtain recommendations on how to meet its goals through alternative approaches. In this way, by managing the risk that a proposal could have an unintended consequences on participants, the proposed changes to describe the solicitation of participant and stakeholder views by the Clearing Agencies in

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<sup>12</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>13</sup> 17 CFR 240.17Ad-22(e)(18)(iv)(C).

<sup>14</sup> Supra note 12.

developing proposals would promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.<sup>15</sup>

The proposed changes to make conforming and clean up changes to the Framework would ensure that the Framework is clear and accurate in describing the risk management functions of the Clearing Agencies. The risk management functions described in the Framework allow the Clearing Agencies to continue to promote the prompt and accurate clearance and settlement of securities transactions and continue to assure the safeguarding of securities and funds which are in their custody or control or for which they are responsible. By improving the clarity and accuracy of the descriptions of risk management functions within the Framework, the proposed changes would assist the Clearing Agencies in carrying out these risk management functions. Therefore, the Clearing Agencies believe these proposed changes are consistent with the requirements of Section 17A(b)(3)(F) of the Act.<sup>16</sup>

Rule 17Ad-22(e)(18)(iv)(C) under the Act requires, among other things, that the FICC Board annually review the policies and procedures that are reasonably designed to ensure that FICC has appropriate means to facilitate access to clearance and settlement services of all eligible secondary market transactions in U.S. Treasury securities, including those of indirect participants.<sup>17</sup> The proposed changes to the Framework would describe how GSD's access models would be assessed annually, including through the solicitation of feedback on such access models by a stakeholder council. The proposed

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<sup>15</sup> Id.

<sup>16</sup> Id.

<sup>17</sup> 17 CFR 240.17Ad-22(e)(18)(iv)(C).

changes would also describe the goals of the assessment and how those goals would be met. Finally, the proposed changes would provide that the assessment of GSD's access models be conducted prior to, and in support of, the annual review of those models by the FICC Board, as required by Rule 17Ad-22(e)(18)(iv)(C).<sup>18</sup> Therefore, the Clearing Agencies believe these proposed changes are consistent with the requirements of Rule 17Ad-22(e)(18)(iv)(C).<sup>19</sup>

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

The Clearing Agencies do not believe that the proposed changes to the Framework to describe the solicitation of participant and stakeholder views, and the annual review of the GSD's access models, would have any impact on competition. The proposed changes would describe an existing process by which the Clearing Agencies engage with their participants and other stakeholders regularly in connection with their evaluation of proposals and their assessment of existing practices. The proposed change would also describe how it would use various methods for soliciting feedback from different groups, which will facilitate its ability to solicit a wide range of views from different types of firms. Further, as described above, the goal of the annual assessment and review of GSD's access models is to ensure FICC offers appropriate means to facilitate access to GSD's clearing services, including those of indirect participants. By contributing to the development of access models that are designed to facilitate access to GSD's clearing services by a wider variety of market participants, the annual assessment

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<sup>18</sup> Id.

<sup>19</sup> Id.

and review of GSD's access models in the Framework would promote competition in the markets where GSD operates.

The Clearing Agencies do not believe the proposed rule changes to make conforming and clean up changes to the Framework would impact competition. These changes would ensure the clarity and accuracy of the descriptions of risk management functions in the Framework. They would not affect participants' rights and obligations. As such, the Clearing Agencies believe the proposal to make conforming and clean up 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

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

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

All prospective commenters should follow the Commission's instructions on how to submit comments, available at [www.sec.gov/regulatory-actions/how-to-submit-comments](http://www.sec.gov/regulatory-actions/how-to-submit-comments). General questions regarding the rule filing process or logistical questions

regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at [tradingandmarkets@sec.gov](mailto:tradingandmarkets@sec.gov) or 202-551-5777.

The Clearing Agencies reserve the right not to respond to any comments received.

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

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

- (A) by order approve or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change

should be disapproved.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-DTC-2024-003 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-DTC-2024-003. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<https://www.sec.gov/rules/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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of DTC and on DTCC's website (<https://dtcc.com/legal/sec-rule-filings.aspx>). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright

protection. All submissions should refer to file number SR-DTC-2024-003 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>20</sup> 17 CFR 200.30-3(a)(12).