SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-98327; File No. SR-FICC-2023-010)

September 8, 2023

Self-Regulatory Organizations; The Fixed Income Clearing Corporation; Order Granting Approval of Proposed Rule Change to Amend and Restate the Cross-Margining Agreement between FICC and CME

I. INTRODUCTION

On July 17, 2023, the Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-FICC-2023-010 ("Proposed Rule Change") pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Exchange Act")[1] and Rule 19b-4[2] thereunder to change the terms of its cross-margining arrangement with the Chicago Mercantile Exchange Inc. ("CME").[3] The Proposed Rule Change was published for public comment in the *Federal Register* on July 28, 2023.[4] The Commission has received no comments regarding the Proposed Rule Change. This order approves the Proposed Rule Change.

II. BACKGROUND

FICC is a central counterparty ("CCP"), which means it interposes itself as the buyer to every seller and seller to every buyer for the financial transactions it clears. FICC operates two divisions: the Government Securities Division ("GSD") and the Mortgage-Backed Securities Division ("MBSD"). GSD provides trade comparison, netting, risk management, settlement, and central counterparty services for the U.S. Government securities market. As such, FICC is

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

2 17 CFR 240.19b-4.

3 *See* Notice of Filing *infra* note 4**Error! Bookmark not defined.**, at 88 FR 48926.

4 Securities Exchange Act Release No. 97969 (July 24, 2023), 88 FR 48926 (July 28, 2023) (File No. SR-FICC-2023-010) ("Notice of Filing").

exposed to the risk that one or more of its members may fail to make a payment or to deliver securities.

A key tool that FICC uses to manage its credit exposures to its members is the daily collection of margin from each member. A member's margin is designed to mitigate potential losses associated with liquidation of the member's portfolio in the event of that member's default. The aggregated amount of all GSD members' margin constitutes the GSD Clearing Fund, which FICC would be able to access should a defaulted member's own margin be insufficient to satisfy losses to FICC caused by the liquidation of that member's portfolio. Each member's margin consists of a number of applicable components, including a value-at-risk ("VaR") charge ("VaR Charge") designed to capture the potential market price risk associated with the securities in a member's portfolio. The VaR Charge is typically the largest component of a member's margin requirement. The VaR Charge is designed to cover FICC's projected liquidation losses with respect to a defaulted member's portfolio at a 99 percent confidence level.

Margin requirements are typically designed, in part, to recognize the potential relationship between products in a member's portfolio (e.g., some products may naturally gain value when others lose value). Members may, however, hold assets or enter into transactions that reduce risk, but are not visible to the CCP. For example, a market participant might purchase a debt security, and at the same time, contract to sell the same security in the future. The risk to the market participant is combination of these two offsetting transactions as opposed to the risk of each added together because it is unlikely that both positions would lose value at the same time under normal market conditions.

To recognize potential offsets in the risk presented by related products, FICC has an ongoing cross-margining arrangement with CME, which acts as a CCP for futures related to the debt instruments that FICC clears.[5] The cross-margining arrangement is governed by a contract (the "Existing Agreement") that, among other things, defines the methodology by which FICC and CME determine offsets between cleared products that could reduce the margin requirement of an FICC member.[6] FICC and CME have negotiated a new agreement (the "Restated Agreement") that FICC proposes to adopt to govern the cross-margining arrangement between FICC and CME.

III. DESCRIPTION OF THE PROPOSED RULE CHANGE

The proposed changes to the cross-margining arrangement are primarily designed to (i) expand the scope of CME products eligible for cross-margining, (ii) replace the methodology for calculating the margin reductions available to FICC's members;[7] and (iii) improve the default management and loss sharing processes that FICC and CME would engage in if a common member were to default. FICC also proposes relocating certain timing and operational aspects of the cross-margin arrangement to a supporting service level agreement (the "SLA").[8] For example, the SLA would cover operational issues such as the creation and maintenance of special accounts for managing settlement and liquidation of a defaulting common member's cross margin positions as well as the operational steps involved in managing the default of a

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5 CME provides central counterparty services for futures, options, and swaps. *See* Financial Stability Oversight Council ("FSOC") 2012 Annual Report, Appendix A, *https://home.treasury.gov/system/files/261/here.pdf* (last visited July 17, 2023).

6 The Existing Agreement is incorporated in the GSD Rules *available at www.dtcc.com/legal/rules-and-procedures.aspx*. Unless otherwise specified, capitalized terms not defined herein shall have the meanings ascribed to them in the GSD Rules, which includes the Existing Agreement.

7 FICC provided data demonstrating that the proposal would likely increase the range of potential reduction in margin related to cross-margining positions. FICC provided its analysis of the potential effects on margin requirements to the Commission in a confidential Exhibit 3 to File No. SR-FICC-2023-010.

8 FICC provided the SLA in a confidential Exhibit 3 to File No. SR-FICC-2023-010.

common member. The SLA would also define the times by which FICC and CME would be expected to exchange certain information and reports.

The following sections describe the proposed changes to the cross-margining arrangement in more detail.

A. *Products Eligible for Cross-Margining*

The margin reductions provided by FICC and CME to common members are based on the relationship between the products that each CCP clears. Only products specified in the Existing Agreement currently may be considered when determining margin reductions (the "Eligible Products"). As noted above, in the Restated Agreement, FICC proposes to expand the scope of CME products eligible for cross-margining.[9] FICC also proposes to reduce the scope of products it clears that would be eligible for cross-margining.[10] The combined effect of the proposed changes to products eligible for cross-margining would expand the potential reductions members could receive through cross-margining program.[11] The new set of products eligible for cross-margining would be listed in exhibits to the Restated Agreement.[12]

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9 The following CME products would become eligible for cross-margining: CBT 3YR 3-year T-Notes Futures, CBT TN Ultra Ten-Year T-Note Futures, CBT UBE Ultra U.S. Treasury Bond Futures, CBT TWE 20-Year U.S. Treasury Bond Futures, CBT 41 30 Day Federal Funds Futures, CME SR1 One-Month SOFR Futures, and CME SR3 Three-Month SOFR Futures. *See* Notice of Filing, 88 FR at 48928, n.14. At the same time, certain CME products would no longer be eligible due to lack of use under the current arrangement. *Id.*

10 The following FICC products will no longer be eligible for cross-margining with CME products: Treasury bills (maturity of one year or less) and Treasury Inflation-Protected Securities (TIPS). *See* Notice of Filing, 88 FR at 48929, n.29. U.S. Treasury notes and bonds cleared by FICC would continue to be eligible for cross-margining. *See* Notice of Filing, 88 FR at 48929.

11 FICC provided data demonstrating that the proposed change in eligible products would have reduced the average daily margin requirements by approximately 1.33 percent for the small set of members who participated in the cross-margining program. FICC provided its analysis of the potential effects on margin requirements to the Commission in a confidential Exhibit 3 to File No. SR-FICC-2023-010.

12 Future changes to FICC's rules, such as the terms of the Restated Agreement, are outside the scope of this proposal. The Restated Agreement and the SLA provide a mechanism for changing the list of Eligible Products; however, the agreement would not alter FICC's filing obligations pursuant to Section 19(b) of the Exchange Act or Section 806(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. *See* 15 U.S.C. § 78s(b) and 12 U.S.C. § 5465(e).

B. *Methodology for Margining Cross-Margin Portfolios*

In addition to changing the set of products eligible for cross-margining, FICC proposes replacing the methodology for calculating margin requirements for cross-margined positions. The proposed methodology is designed to more accurately estimate the risk presented by the cross-margined positions. Margin requirements set by the proposed methodology would allow for, on average, a wider range of margin reductions;[13] however, because of the increased accuracy, the proposed methodology would not reduce FICC's ability to cover the credit risk posed by its members.[14]

The proposed methodology is also less complex than the current methodology. FICC proposes to calculate the margin reduction from cross-margining based on the combined portfolio of eligible products of a common member (i.e., both the products cleared at FICC and the related products cleared at CME) with a VaR methodology. The proposed methodology calculates portfolio margin reductions based on correlations at the security level. FICC and CME would separately calculate the potential margin reduction resulting from offsetting positions in a common member's portfolio using their respective margin methodologies and agree to reduce the member's margin requirement by the more conservative amount (i.e., the

13 For the small set of members involved in cross-margining, the proposed change would widen the potential range of margin reductions. *See* Notice of Filing, 88 FR at 48927. Specifically, the average range of reductions to total margin was 0.1 percent to 17.4 percent under the current methodology, and would have been 0 percent to 36.6 percent under the proposed methodology. *Id.* The overall reduction to margin at FICC would have been significantly smaller because cross-margining related margin requirements account for only small amount of total margin requirements on average. *See* Notice of Filing, 88 FR at 48927, n.10.

14 Backtesting data showed that, even with the broadened range of margin reductions, FICC's ability to cover exposures presented by members would have improved. FICC provided backtesting data in a confidential Exhibit to File No. SR-FICC-2023-010.

smaller reduction). Further, FICC proposes to apply such a margin reduction only if it exceeds a minimum threshold.[15]

Conversely, the current methodology involves a series of steps to allow FICC and CME to separately consider offsets for their respective products. Such steps include the conversion of products into other products to facilitate comparison of a common member's Treasury and futures contracts (e.g., FICC would convert CME products into equivalent FICC products). The current methodology also requires FICC and CME to group products by maturity into "Offset Classes" to facilitate the calculation of a member's margin reduction. As noted above, the current process is complex and produces less accurate offsets that could negatively affect FICC's ability to cover the exposures presented by its members.

C. *Default Management and Loss Sharing*

FICC proposes to strengthen its default management coordination with CME and to simplify the sharing of losses arising out of a common member default. The Restated Agreement would provide three potential default management paths and would favor joint action by FICC and CME as a first, best option. In contrast, the Existing Agreement merely seeks to align the time at which the CCPs liquidate a common member's positions. With regard to loss sharing, the Restated Agreement provides for a relatively simple division of gains and losses. Further, the Restated Agreement would align cashflows through the exchange of variation margin, which is not contemplated by the Existing Agreement.

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15 The threshold would initially be set at 1 percent to prevent any negatively correlated portfolios or portfolios with little to no correlation to receive cross-margin benefit because of the operational coordination required to provide such benefit. *See* Notice of Filing, 88 FR at 48930, n.40. Additionally, FICC provided information pertaining to thresholds for the maximum margin reduction allowable under the proposed rule change as well. *See* Notice of Filing, 88 FR at 48927, n.10.

Default Management Coordination: The proposed changes would simplify the scenario in which only one of the CCPs suspends a common member by requiring the common member to repay the margin reduction realized under the cross-margin arrangement.[16] If the common member fails to pay back the margin reduction, then the CCPs must both suspend and liquidate the member's portfolio.[17] In the event that both FICC and CME suspend a common member, the Restated Agreement is designed to facilitate joint liquidation of common member's cross-margin portfolio. The Existing Agreement requires only that FICC and CME make reasonable efforts to coordinate when off-setting positions are closed out and to report losses to each other. In contrast, the Restated Agreement would require in the first instance a good faith attempt to jointly transfer, liquidate, or close-out positions. The Restated Agreement would further describe alternatives where joint liquidation is either infeasible or inadvisable, including separate liquidation similar to what is contemplated under the Existing Agreement.[18]

Loss Sharing. The Restated Agreement would simplify loss sharing in the event of a common member default and would introduce a new feature to align cashflows during default management. As stated above, the Restated Agreement is designed to facilitate joint default management by FICC and CME. In the event the CCPs jointly transfer, liquidate, or close-out the common member's cross-margin positions, if one CCP faces a loss greater than (or gain less

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[16] For example, assume that FICC suspends Member A, but CME does not. CME must require Member A to pay both the margin reduction provided by FICC (which CME passes to FICC) and the margin reduction provided by CME (which is retained by CME). Such a payment would provide each CCP with the collateral it would have collected if the common member did not participate in the cross-margining arrangement.

[17] In contrast, the provisions of the Existing Agreement set out a complex series of conditional statements and calculations that flow into further loss sharing provisions in the event that only one CCP suspends a common member.

[18] The Restated Agreement would allow for either FICC or CME to buy-out the other with regard to the cross-margined positions of the defaulter. Failing joint action or buy-out, the Restated Agreement allows for separate liquidation followed by loss sharing, similar to the provisions of the Existing Agreement.

than) their share of total losses (or gains), the other CCP would pay the difference to ensure that each CCP was responsible for its respective portion of losses or gains.[19]

In the case of a joint liquidation, the Restated Agreement would also provide for an exchange of variation margin. Such an exchange would improve the efficiency of the default management process by aligning cashflows in a scenario in which either CME or FICC has a payment obligation arising out of cross-margin positions that could be covered by the variation margin gains on offsetting cross-margin positions held by the other CCP. The Existing Agreement does not contemplate any exchange of variation margin between FICC and CME.

The Restated Agreement would also simplify the sharing of losses where FICC and CME liquidate the defaulter's cross-margin positions separately. In the case of separate liquidations, if either FICC or CME has a net gain and the other has a net loss, then the CCP with the net gain would make a payment to the CCP with the net loss. Such payment would be the lesser of the net gain or net loss realized by the CCPs.[20]

IV. DISCUSSION AND COMMISSION FINDINGS

Section 19(b)(2)(C) of the Exchange Act 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 Exchange Act and the rules and regulations thereunder applicable to such organization.[21] After carefully considering the Proposed Rule Change, the Commission finds that the proposal is consistent with the requirements of the Exchange Act and

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19 Specifically, FICC and CME would each calculate their respective net gain or loss as well as the overall combined gain or loss across the CCPs to determine their respective allocation of losses or gains arising out the liquidation.

20 In the event that either FICC or CME buys out the other's cross-margin positions and related collateral, no loss sharing would occur.

21 15 U.S.C. 78s(b)(2)(C).

the rules and regulations thereunder applicable to FICC. More specifically, the Commission finds that the proposal is consistent with Section 17A(b)(3)(F) of the Exchange Act,[22] and Rules 17Ad-22(e)(6) and (e)(20)[23] thereunder, as described in detail below.

A. *Consistency with Section 17A(b)(3)(F) of the Exchange Act*

Section 17A(b)(3)(F) of the Exchange Act requires, among other things, that the rules of a clearing agency be designed to remove impediments to and help perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions; and to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions.[24]

The Commission has historically supported and approved cross-margining at clearing agencies and has recognized the potential benefits of cross-margining systems, which include freeing capital through reduced margin requirements, reducing clearing costs by integrating clearing functions, reducing clearing agency risk by centralizing asset management, and harmonizing liquidation procedures.[25] The Commission has encouraged cross-margining arrangements as a way to promote more efficient risk management across product classes.[26] Cross-margining arrangements may be consistent with Section 17A(b)(3)(F) in that they may strengthen the safeguarding of assets through effective risk controls that more broadly take into

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

23 17 CFR 240.17Ad-22(e)(6) and 17 CFR 240.17Ad-22(e)(20).

24 15 U.S.C. 78q-1(b)(3)(F).

25 *See* Securities Exchange Act Release No. 63986 (Feb. 28, 2011), 76 FR 12144, 12153 (Mar. 4, 2011) (File No. SR-FICC-2010-09) (approving the introduction of cross-margining for positions held at FICC and New York Portfolio Clearing, LLC) (citations omitted) (“NYPC Order”).

26 *See id.* (citations omitted).

account offsetting positions of participants in both the cash and futures markets, and promote prompt and accurate clearance and settlement of securities through increased efficiencies.[27]

The Commission continues to view cross-margining programs as consistent with clearing agency responsibilities under Section 17A of the Exchange Act.[28] Cross-margining programs enhance member liquidity and systemic liquidity both in times of normal trading and in times of market stress by reducing margin requirements for members, which could prove crucial in maintaining member liquidity during periods of market volatility, and enhancing market liquidity as a whole.[29] By enhancing market liquidity, cross-margining arrangements remove impediments to and help perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions.[30] Based on a review of the record, and for the reasons described below, the Commission believes that the Proposed Rule Change is consistent with removing of impediments to and helping to perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions as well as fostering cooperation and coordination with persons engaged in the clearance and settlement of securities transactions.

As described above, FICC proposes to expand the set of products accepted as part of its cross-margining arrangement with CME. Expanding the set of Eligible Products will increase the opportunities to reduce member margin requirements, which could support the maintenance

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27 *See id*.

28 *See* Securities Exchange Act Release No. 90464 (Nov. 19, 2020), 85 FR 75384, 75386 (Nov. 25, 2020 (File No. SR-OCC-2020-010) (approving a second amended and restated cross-margining agreement between the Options Clearing Corp. and CME); Securities Exchange Act Release No. 38584 (May 8, 1997), 62 FR 26602, 26604-05 (May 14, 1997) (File No. SR-OCC-97-04) (establishing a cross-margining agreement with the Options Clearing Corp., CME, and the Commodity Clearing Corporation).

29 *See id.*

30 *See id. See also* NYPC Order at 12153.

of market participants' liquidity during periods of market volatility. The expansion of product eligibility would also support market participants' use of the national system for the prompt and accurate clearance and settlement without being impeded by the market structure in which different CCPs serve different asset classes.

Also as described above, the proposed changes would reduce margin requirements overall by a small amount without reducing FICC's ability to cover the credit risk posed by its members. Although the margin reductions provided by the proposed changes would not diminish FICC's ability to cover the credit risk posed by its members, the link represented by the cross-margining arrangement necessitates cooperation not only during normal operations, but also following the default of a common member. The proposed Restated Agreement details the processes for default management and loss sharing. The Restated Agreement favors joint liquidation by the parties and also contemplates alternative default management scenarios in which a joint liquidation is not feasible or advisable. The Proposed Rule Change would also introduce variation margin sharing across the CCPs to facilitate default management.

The Commission finds, therefore, that the Proposed Rule Change is consistent with the requirements of Section 17A(b)(3)(F) of the Exchange Act.[31]

B. *Consistency with Rule 17Ad-22(e)(6) under the Exchange Act*

Rule 17Ad-22(e)(6)(v) under the Exchange Act requires that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to cover, if the covered clearing agency provides central counterparty services, its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, uses an appropriate method for measuring credit exposure that accounts for relevant product risk

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[31] 15 U.S.C. 78q-1(b)(3)(F).

factors and portfolio effects across products.[32] In adopting Rule 17Ad-22(e)(6), the Commission provided guidance that a covered clearing agency generally should consider in establishing and maintaining policies and procedures for margin.[33] The Commission stated that a covered clearing should consider, in calculating margin requirements, whether it allows offsets or reductions in required margin across products that it clears or between products that it an another clearing agency clear, if the risk of one product is significantly and reliably correlated with the risk of the other product; and where two or more clearing agencies are authorized to offer cross-margining, whether they have appropriate safeguards and harmonized overall risk management systems.[34]

The Proposed Rule Change would support the continued allowance of margin reductions in recognition of the correlation between products cleared by CME and FICC. Whether the reduced margin represents an appropriate measure of the credit exposure posed to FICC may be viewed in terms of whether such margin is sufficient to cover the potential losses associated with cross-margined positions following a member default. As described above, backtesting data demonstrates that the proposed margin methodology would not reduce FICC's ability to cover the credit risk posed by its members within the context of cleared products eligible for cross-margining under the Restated Agreement.[35] Further, the Restated Agreement includes provisions to safeguard FICC against a scenario in which it ceases to act for a common member, but CME does not. Specifically, the Restated Agreement would require the payment to FICC of

[32] 17 CFR 240.17Ad-22(e)(6)(v).

[33] *See* Standards for Covered Clearing Agencies, Exchange Act Release No. 78961, 81 FR 70786, 70819 (Oct. 13, 2016) (File No. S7-03-14) ("Standards for Covered Clearing Agencies").

[34] *See id.*

[35] *Supra* note 14.

the margin reduction granted under the cross-margining arrangement, which would avoid a mismatch between the margin collected and the portfolio to be liquidated.

Accordingly, the Commission finds that the proposed model changes are consistent with Rule 17Ad-22(e)(6)(v) under the Exchange Act.[36]

C. *Consistency with Rule 17Ad-22(e)(20) under the Exchange Act*

Rule 17Ad-22(e)(20) under the Exchange Act requires that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to identify, monitor, and manage risks related to any link the covered clearing agency establishes with one or more other clearing agencies, financial market utilities, or trading markets.[37] The term financial market utility means any person that manages or operates a multilateral system for the purpose of transferring, clearing, or settling payments, securities, or other financial transactions among financial institutions or between financial institutions and the person.[38] For the purposes of Rule 17Ad-22(e)(20), link means, among other things, a set of contractual and operational arrangements between two or more clearing agencies, financial market utilities, or trading markets that connect them directly or indirectly for the purposes of cross margining.[39]

In adopting Rule 17Ad-22(e)(20), the Commission provided guidance that a covered clearing agency generally should consider in establishing and maintaining policies and procedures that address links.[40] Notably, the Commission stated that a covered clearing should consider whether a link has a well-founded legal basis, in all relevant jurisdictions, that supports

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36 17 CFR 240.17Ad-22(e)(6)(v).

37 17 CFR 240.17Ad-22(e)(20).

38 12 U.S.C. 5462(6)(A).

39 17 CFR 240.17Ad-22(a)(8).

40 *See* Standards for Covered Clearing Agencies, 81 FR at 70841.

its design and provides adequate protection to the covered clearing agencies involved in the link.[41] The Commission further stated that, when in a CCP link arrangement, a covered clearing agency should consider whether it is able to cover, at least on a daily basis, its current and potential future exposures to the linked CCP and its participant, if any, fully with a high degree of confidence without reducing the covered clearing agency's own ability to fulfill its obligations to its own participants at any time.[42]

CME is a CCP for futures contracts and also meets the definition of a financial market utility.[43] The cross-margin arrangement between FICC and CME, therefore, is a link for the purposes of Rule 17Ad-22(e)(20), as defined in Rule 17Ad-22(a)(8). As described above, FICC proposes to adopt the Restated Agreement to amend its cross-margining arrangement with CME. The terms of the Restated Agreement, which would replace the Existing Agreement, would continue to specify, among other matters, which members may participate in the arrangement, which products are eligible for consideration under the arrangement, how margin requirements will be set for positions considered under the arrangement, and how FICC and CME would manage the default of member who participates in the arrangement. The Restated Agreement would also address issues of indemnification, information sharing, and other routine terms currently addressed in the Existing Agreement. Further, the Restated Agreement would also provide for the use of an SLA that would provide additional supporting detail with regard to timing and certain operational processes related to the cross-margining arrangement. The Commission believes that the Restated Agreement would continue to support the design of the

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41 *Id.*

42 *Id.*

43 *See* FSOC 2012 Annual Report, Appendix A, *https://home.treasury.gov/system/files/261/here.pdf* (last visited July 17, 2023).

cross-margin arrangement between FICC and CME by addressing matters currently covered in the Existing Agreement as well as those changes to the structure of the cross-margin arrangement described above (e.g., product eligibility, margin requirements, default management).

Further, the incorporation of certain timing and operational aspects of the cross-margining arrangement in a separate SLA would streamline the language of the Restated Agreement and more clearly present operational details, such as those related to daily settlement procedures. The CCPs would also have the ability to review the service level details separately and modify them without requiring changes to the full agreement. Simplifying the presentation and maintenance of such operational details would serve to reduce risks associated with the link between FICC and CME.

The Proposed Rule Change also addresses margin reductions, default management, and loss sharing. With regard to margin, backtesting data demonstrates that the proposed margin methodology would not reduce FICC's ability to cover the credit risk posed by its members.[44] The Commission believes that such backtesting data suggests that the proposed changes would support FICC's ability to cover its current and potential future exposures to its participants. The Proposed Rule Change would support FICC's ability to meet its obligations by providing for the exchange of variation margin between FICC and CME during the management of a common member default. With regard to default management, the Restated Agreement explicitly prioritizes coordination and joint management of a common member default. The Commission believes that such default management and loss sharing provisions as those proposed in the Restated Agreement would further support FICC's ability to cover its current and potential future exposures without reducing its ability to fulfill its obligations to its own participants.

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44 *Supra* note 14.

Accordingly, the Commission finds that the proposed model changes are consistent with Rule 17Ad-22(e)(20) under the Exchange Act.[45]

V. CONCLUSION

On the basis of the foregoing, the Commission finds that the Proposed Rule Change is consistent with the requirements of the Exchange Act, and in particular, the requirements of Section 17A of the Exchange Act[46] and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Exchange Act,[47] that the Proposed Rule Change (SR-FICC-2023-010) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[48]

Sherry R. Haywood,
Assistant Secretary

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45 17 CFR 240.17Ad-22(e)(20).

46 In approving this Proposed Rule Change, the Commission has considered the proposed rules' impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

47 15 U.S.C. 78s(b)(2).

48 17 CFR 200.30-3(a)(12).