

1. Text of the Proposed Rule Change

(a) The proposed rule change of Fixed Income Clearing Corporation (“FICC”) as provided in Exhibit 5 amends the Clearing Agency Risk Management Framework (“Risk Management Framework” or “Framework”) of FICC and its affiliates, The Depository Trust Company (“DTC”) and National Securities Clearing Corporation (“NSCC,” and together with FICC, the “CCPs” and the CCPs together with DTC, the “Clearing Agencies”).¹ Specifically, the proposed rule change would amend the Risk Management Framework to make changes to clarify and update the Framework. The proposed changes would update and clarify (a) the quarterly review escalation process, (b) the annual review process as it relates to “done-away” clearing activity, (c) removal of references to Systemic Risk Council, and (d) other immaterial changes for clarification purposes.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Risk Committee of the Board of Directors of FICC at a meeting duly called and held on September 10, 2024.

3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

The Clearing Agencies adopted the Risk Management Framework² to provide an outline for how each of the Clearing Agencies (i) maintains a well-founded, clear, transparent and enforceable legal basis for each aspect of its activities; (ii) comprehensively manages legal, credit, liquidity, operational, general business, investment, custody, and other risks that arise in or are borne by it; (iii) identifies, monitors, and manages risks related to links it establishes with

¹ See Securities Exchange Act Release Nos. 81635 (Sept. 15, 2017), 82 FR 44224 (Sept. 21, 2017) (SR-DTC-2017-013, SR-FICC-2017-016, SR-NSCC-2017-012) (“Initial Filing”); 89271 (July 9, 2020), 85 FR 42933 (July 15, 2020) (SR-NSCC-2020-012); 89269 (July 9, 2020), 85 FR 42954 (July 15, 2020) (SR-DTC-2020-009); 89270 (July 9, 2020), 85 FR 42927 (July 15, 2020) (SR-FICC-2020-007); 96799 (Feb. 03, 2023), 88 FR 8506 (Feb. 9, 2023) (SR-DTC-2023-001); 96800 (Feb. 3, 2023), 88 FR 8491 (Feb. 9, 2023) (SR-FICC-2023-001); 96801 (Feb. 3, 2023), 88 FR 8502 (Feb. 9, 2023) (SR-NSCC-2023-001); 99097 (Dec. 6, 2023), 88 FR 86186 (Dec. 12, 2023) (SR-FICC-2023-016); 99098 (Dec. 6, 2023), 88 FR 86183 (Dec. 12, 2023) (SR-NSCC-2023-012); 99108 (Dec. 07, 2023), 88 FR 86430 (Dec. 13, 2023) (SR-DTC-2023-012); and 101685 (Nov. 21, 2024), 89 FR 93689 (Nov. 27, 2024) (SR-DTC-2024-003, SR-FICC-2024-006, SR-NSCC-2024-003) (together with the Initial Filing, the “Framework Filings”).

² Supra note 1.

one or more clearing agencies, financial market utilities, or trading markets; (iv) meets the requirements of its participants and the markets it serves efficiently and effectively; (v) uses, or at a minimum accommodates, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing and settlement; and (vi) publicly discloses certain information, including market data. In this way, the Risk Management Framework currently supports the Clearing Agencies' compliance with Rules 17ad-22(e)(1), (3), (18), (20), (21), (22) and (23) under the Securities Exchange Act of 1934, as amended ("Act"),³ as described in the Framework Filings. In addition to setting forth the manner in which each of the Clearing Agencies addresses these requirements, the Risk Management Framework also contains a section titled "Framework Ownership and Change Management" that, among other matters, describes the Framework ownership and the required governance process for review and approval of changes to the Framework. In connection with the annual review and approval of the Framework by the Board of Directors of each of NSCC, DTC and FICC (each a "Board" and collectively, the "Boards"), the Clearing Agencies are proposing to make certain revisions to the Framework.

The proposed changes would clarify and enhance the descriptions in the Risk Management Framework and correct errors in those descriptions by, for example, (1) updating the quarterly review escalation process; (2) correcting errors in the description of the annual review process associated with "done-away" clearing activity in Section 3.4.2; (3) removing references to Systemic Risk Council, which has been disbanded and (4) making other immaterial changes that do not alter how the Clearing Agencies comply with the applicable requirements of Rule 17ad-22(e) under the Act.⁴

Proposed Changes

1. Update Governance Process

The last paragraph of Section 3 of the Framework describes the governance process related to risk tolerance statements as a means of identifying, assessing, measuring, monitoring, mitigating and reporting risks. The proposed changes aim to clarify and refine the escalation process related to the quarterly reviews of the Clearing Agencies' performance against the risk tolerance statements. The proposed change does not reflect changes to how the Clearing Agencies comply with the applicable requirements of Rule 17ad-22(e) under the Act.⁵

2. Annual Review of "Done-Away" Clearing Activity

Upon implementation of SR-DTC-2024-003, SR-FICC-2024-006, and SR-NSCC-2024-003 (the "2024 Filings"), Section 3.4.2 of the Framework will describe the process by which the

³ 17 CFR 240.17ad-22(e)(1), (3), (18), (20), (21), (22) and (23).

⁴ 17 CFR 240.17ad-22(e).

⁵ Id.

Clearing Agencies conduct an annual review of FICC/GSD access models.⁶ The relevant language proposed in the 2024 Filings⁷ indicated GSD does not currently offer “done-away” clearing and therefore needs to establish policies and procedures to enable such activity. However, GSD does offer “done-away” clearing and instead intends to further facilitate such activity. The proposed change to Section 3.4.2, Item (2) would therefore more accurately describe the role of this annual review and reflect the current state as it relates to “done-away” clearing activity.

3. Removal of References to Systemic Risk Council

Section 4.2 of the Framework describes how the Clearing Agencies manage risks related to material interdependencies and external links. The Systemic Risk Council (“Council”) was tasked with discussing matters relating to such systemic risks, however, the Clearing Agencies determined that the role of the Council was unnecessarily duplicative with that of the MRC and has therefore disbanded the Council. The proposed change would update the Framework to reflect this change.

4. Immaterial Changes for Clarification Purposes

These proposed changes would (i) add reference to 17 CFR 240.17ad-22(e)(18) in footnote 1, (ii) move a portion of the second paragraph of Section 3.1 up to Section 3, (iii) remove the unnecessary reference to escalating out of tolerance conditions at the end of the fourth paragraph in Section 3, (iv) clarify the terms reviewed by the General Counsel’s office in the example provided in Section 4.2.1, (v) make grammatical edits in Section 3.3.1, (vi) reflect the retirement of the DTCC Limit Monitoring tool in Section 4.1. The proposed changes do not reflect changes to how the Clearing Agencies comply with the applicable requirements of Rule 17ad-22(e) under the Act.⁸

Implementation Timeframe

The Clearing Agencies would implement the proposed rule change on March 24, 2025.

(b) Statutory Basis

The Clearing Agencies believe that the proposed changes are consistent with Section 17A(b)(3)(F) of the Act⁹ 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 to assure the safeguarding of

⁶ See Securities Exchange Act Release No. 101685 (Nov. 21, 2024), 89 FR 93689 (Nov. 27, 2024) (SR-DTC-2024-003, SR-FICC-2024-006, SR-NSCC-2024-003).

⁷ Id.

⁸ 17 CFR 240.17ad-22(e).

⁹ 15 U.S.C. 78q-1(b)(3)(F).

securities and funds which are in the custody or control of the clearing agency or for which it is responsible.¹⁰ The proposed changes would clarify and enhance the descriptions in the Risk Management Framework and correct errors in those descriptions by, for example, (1) updating the quarterly review escalation process; (2) correcting errors in the description of the annual review process associated with “done-away” clearing activity in Section 3.4.2; (3) removing references to Systemic Risk Council, which has been disbanded and (4) making other immaterial changes, that do not reflect changes to how the Clearing Agencies comply with the applicable requirements of Rule 17ad-22(e) under the Act.¹¹ By creating clearer, updated descriptions and correcting errors, the Clearing Agencies believe that the proposed changes would make the Risk Management Framework more effective in providing an overview of the important risk management activities of the Clearing Agencies, as described therein.

As described in the Framework Filings, the risk management functions described in the Risk Management 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 notwithstanding the default of a member of an affiliated family. The proposed changes to improve the clarity and accuracy of the descriptions of risk management functions within the Framework 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.¹²

4. Self-Regulatory Organization’s Statement on Burden on Competition

The Clearing Agencies do not believe that the proposed changes to the Framework described above would have any impact, or impose any burden, on competition. As described above, the proposed rule changes would improve the comprehensiveness of the Framework by creating clearer, updated descriptions and correcting errors, thereby making the Risk Management Framework more effective in providing an overview of the important risk management activities of the Clearing Agencies. As such, the Clearing Agencies do not believe the proposed rule changes would have any impact on competition.

5. Self-Regulatory Organization’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 Securities and

¹⁰ Id.

¹¹ 17 CFR 240.17ad-22(e).

¹² 15 U.S.C. 78q-1(b)(3)(F).

Exchange Commission (“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. 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 or 202-551-5777.

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

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

(a) The proposed rule changes are to take effect immediately upon filing pursuant to paragraph A of Section 19(b)(3) of the Act¹³ and subparagraph 19b-4(f)(4) thereunder.¹⁴

(b) The proposed rule change effects a change in an existing service of a registered clearing agency that (i) does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible and (ii) does not significantly affect the respective rights or obligations of the clearing agency or persons using the service. As noted above, the proposed changes are mostly technical and non-material in nature. Therefore, the proposed rule change would not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible and would not significantly affect the rights or obligations of the clearing agency or its participants consistent with Rule 19b-4(f)(4)(i) under the Act.¹⁵

(c) Not applicable.

(d) Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

While the proposed rule change is not based on the rules of another self-regulatory organization or of the Commission, the Framework is applicable to each of the Clearing

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(4).

¹⁵ 17 CFR 240.19b-4(f)(4)(i).

Agencies, and each of the Clearing Agencies has filed similar proposed rule changes concurrently with this filing.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notice Filed Pursuant to Section 806(e) of the Payment, Clearing, and Settlement Supervision Act of 2010

Not applicable.

11. Exhibits

Exhibit 1 – Not applicable.

Exhibit 1A - Notice of proposed rule change for publication in the Federal Register.

Exhibit 2 – Not applicable.

Exhibit 3 – Not applicable.

Exhibit 4 – Not applicable.

Exhibit 5 – Risk Management Framework (marked). *Omitted and filed separately with the Commission. Confidential treatment of this Exhibit 5 being requested pursuant to 17 CFR 240.24b-2.*