

# SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104009; File No. SR-FICC-2025-005]

## Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving Proposed Rule Change to Adopt an Intraday Mark-to-Market Charge at GSD

September 22, 2025.

### I. Introduction

On March 14, 2025, Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change SR-FICC-2025-005 (“Proposed Rule Change”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder to modify FICC’s Government Securities Division (“GSD”) Rulebook (“GSD Rules”) to adopt an Intraday Mark-to-Market Charge. The Proposed Rule Change was published for comment in the *Federal Register* on March 27, 2025.<sup>3</sup>

On May 9, 2025, pursuant to Section 19(b)(2) of the Act,<sup>4</sup> the Commission designated a longer period within which to approve, disapprove, or institute proceedings to determine whether to approve or disapprove the Proposed Rule Change.<sup>5</sup> On June 26, 2025, the Commission

---

<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 No. 102705 (Mar. 21, 2025), 90 FR 13965 (Mar. 27, 2025) (File No. SR-FICC-2025-005) (“Notice of Filing”).

<sup>4</sup> 15 U.S.C. 78s(b)(2).

<sup>5</sup> See Securities Exchange Act Release No. 102986 (May 5, 2025), 90 FR 19755 (May 9, 2025) (File No. SR-FICC-2025-005).

instituted proceedings to determine whether to approve or disapprove the Proposed Rule Change.<sup>6</sup> The Commission has received comments on the changes proposed.<sup>7</sup>

For the reasons discussed below, the Commission is approving 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’s GSD provides trade comparison, netting, risk management, settlement and CCP services for the U.S. Government securities market.<sup>8</sup> As such, FICC is exposed to the risk that one of more of its Members or indirect participants may fail to make a payment or to deliver securities.

A tool that FICC uses to manage its credit exposure to its Members is the daily collection of margin. Margin is designed to mitigate potential losses associated with the liquidation of a Netting Member or Segregated Indirect Participant’s portfolio in the event of their default. The aggregated amount of all Netting Members’ margin constitutes the Clearing Fund, which FICC

---

<sup>6</sup> See Securities Exchange Act Release No. 103299 (June 23, 2025), 90 FR 27354 (June 26, 2025) (SR-FICC-2025-005).

<sup>7</sup> Comments on the Proposed Rule Change are available at <https://www.sec.gov/comments/sr-ficc-2025-005/srficc2025005.htm>.

<sup>8</sup> The GSD Rules are available at [https://www.dtcc.com/~media/Files/Downloads/legal/rules/ficc\\_gov\\_rules.pdf](https://www.dtcc.com/~media/Files/Downloads/legal/rules/ficc_gov_rules.pdf). Capitalized terms not otherwise defined herein are defined in the GSD Rules.

would be able to access should a defaulted Netting Member's own margin be insufficient to satisfy losses to FICC caused by the liquidation of that Netting Member's portfolio.<sup>9</sup>

FICC's Rules refer to margin in two ways, depending on the types of Members and accounts involved. First, the Required Fund Deposit is the sum of each Netting Member's proprietary accounts and all indirect participant accounts not designated as Segregated Indirect Participant Accounts.<sup>10</sup> Second, the Segregated Customer Margin Requirement is the sum of the Netting Member's Sponsoring Member Omnibus Accounts and Agent Clearing Member Omnibus Accounts designated as Segregated Indirect Participant Accounts.<sup>11</sup> Included within the Required Fund Deposit and Segregated Customer Margin Requirement is the VaR Charge, a calculation of the volatility of specified Net Unsettled Positions at the time of such calculation.<sup>12</sup>

Apart from collecting margin, FICC currently runs a mark-to-market calculation twice each business day to reflect the difference between the contract value of a trade and the current market value of the security. After these twice daily calculations, each Member is required to pay (or entitled to collect) a Funds-Only Settlement Amount across all CUSIPs in which it has outstanding positions. The funds-only settlement process is a cash pass-through process, meaning that those Members which are in a debit position submit payments to FICC that are then used by FICC to pay Members in a credit position. This amount includes, among other payments, a mark-to-market amount for every net settlement position (positions to settle on the next

---

<sup>9</sup> See GSD Rule 4 (Clearing Fund and Loss Allocation), *supra* note 8.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> Each member's margin consists of several components, each of which is calculated to address specific risks faced by FICC arising out of its members' trading activity. See GSD Rule Book, Margin Component Schedule, Sections 2 and 5, *supra* note 8.

business day), every forward net settlement position (open positions), and every position that was scheduled to settle and has not yet settled (failed positions).<sup>13</sup>

During each trading day, a Member's exposure may change due to the settlement of existing transactions and new trade activities. In addition, the value of the Member's portfolio may change due to market moves. Currently, the mark-to-market component of the Funds-Only Settlement Amount covers FICC's exposure to a Member due to market moves and/or trading and settlement activity by bringing the Member's portfolio of outstanding positions up to the market value at noon and end of day.<sup>14</sup>

However, because the start of day and intraday mark-to-market components of the Funds-Only Settlement Amount are calculated using the end of prior day and noon of current day positions and prices, respectively, they do not cover a Member's risk exposure arising out of changes in position and market value in the Member's portfolio which occur between the collections. FICC is proposing to adopt an Intraday Mark-to-Market Charge to mitigate such risk.

### **III. Description of the Proposed Rule Change**

The Proposed Rule Change would add the "Intraday Mark-to-Market Charge" as an additional charge in calculating the Required Fund Deposit and Segregated Customer Margin Requirement in the Margin Component Schedule.<sup>15</sup> Specifically, the Intraday Mark-to-Market Charge is defined as "an additional charge that is collected from a Member or Segregated

---

<sup>13</sup> See GSD Rule 13, Section 1, *supra* note 8. See also Notice of Filing, *supra* note 3, 90 FR at 13966.

<sup>14</sup> FICC currently collects Funds-Only Settlement Amounts at 10 a.m. based on the end-of-day position from the previous business day, and at 4:30 p.m. based on the Member's noon positions. See Notice of Filing, *supra* note 3, 90 FR 13966.

<sup>15</sup> Specifically, the Proposed Rule Change would amend the GSD Rulebook to add a definition of "Intraday Mark-to-Market Charge" to GSD Rule 1 (Definitions) and to define it in the Margin Component Schedule.

Indirect Participant (unless waived or decreased . . . )<sup>16</sup> to mitigate FICC’s exposures that may arise due to intraday changes in the size, composition and constituent security prices of such Member’s Margin Portfolio or Segregated Indirect Participant’s portfolio, including when certain risk thresholds are breached or when the products cleared or markets served display elevated volatility.”<sup>17</sup> The Intraday Mark-to-Market Charge would equal the difference between (a) the mark-to-market amount reflected either in the last Funds-Only Settlement Amount or Intraday Mark-to-Market Charge, as applicable, for the Margin Portfolio or Segregated Indirect Participant’s portfolio, and (b) such Margin Portfolio’s or Segregated Indirect Participant’s portfolio marked to the most recently observed System Price for such positions and shall be recalculated intraday, each Business Day, at the times and frequencies established by FICC for this purpose, which times and frequencies shall be communicated to Members and Segregated Indirect Participants on FICC’s public website.

The Proposed Rule Change outlines three “Parameter Breaks,” *i.e.*, risk thresholds, for the imposition of an Intraday Mark-to-Market Charge. The Intraday Mark-to-Market Charge would apply to a Member that has breached all three Parameter Breaks (that is, that has met all three thresholds). FICC states that the objective of these thresholds is to ensure that FICC is able to limit exposure to intraday mark-to-market fluctuations that (a) are of a large dollar amount (the “Dollar Threshold”), (b) exhausts a significant portion of a Member’s last calculated VaR Charge (the “Percentage Threshold”), and (c) are experienced by Members with either (i) a limited trading history (the “Trading Day Threshold”) or (ii) backtesting deficiencies that bring

---

<sup>16</sup> FICC’s proposed waiver procedures are discussed in Section 3, *infra*.

<sup>17</sup> See Notice of Filing, *supra* note 3, 90 FR at 13969.

backtesting results for the Member below a confidence target (the “Coverage Target”), indicating that a Member’s activity was not sufficiently covered by margin.<sup>18</sup>

These thresholds are as follows:

(1) *The Dollar Threshold*: an adverse intraday mark-to-market change in a portfolio that equals or exceeds a certain threshold dollar amount (not less than \$1 million) as determined by FICC from time to time when compared to the mark-to-market amount reflected in either the last Funds-Only Settlement Amount or Intraday Mark-to-Market Charge.<sup>19</sup> The purpose of the Dollar Threshold is to identify those Members whose mark-to-market exposure equals or exceeds a set large dollar amount. FICC states that those Members pose an increased risk of loss to FICC because if such a Member should default and the Member’s Required Fund Deposit was insufficient to satisfy the losses that accrue from the liquidation of their portfolio, FICC may have to access the Clearing Fund. However, because the Clearing Fund is a finite financial resource designed to be available to satisfy potential losses to FICC that may arise from any Member default, FICC could be exposed to a significant risk of loss if a Member’s mark-to-market exposures equals or exceeds a set large dollar amount that could deplete a substantial portion of the Clearing Fund. Therefore, FICC states that setting the threshold at \$1 million would be aligned with the minimum Clearing Fund requirement at GSD, thus helping to ensure that the aggregate mark-to-market exposure of a Member would not exceed its minimum Clearing Fund deposit. FICC states that this threshold would ensure that the Clearing Fund available to satisfy all

---

<sup>18</sup> See Notice of Filing, *supra* note 3, 90 FR 13967-8.

<sup>19</sup> *Id.* at 13967.

other liquidation losses arising out a Member's default is sufficient to mitigate the risks posed to FICC by such losses.<sup>20</sup>

(2) *The Percentage Threshold*: an adverse intraday mark-to-market change in a Member's portfolio that equals or exceeds a certain threshold percentage (not less than 10 percent) as determined by FICC from time to time when compared to the last calculated VaR Charge for the Member's portfolio. The purpose of the Percentage Threshold is to identify those Members whose mark-to-market exposures deplete a significant portion of the Member's daily VaR Charge.<sup>21</sup> FICC states that such Members pose an increased risk of loss to FICC because the coverage the VaR Charge provides would be depleted by a significant mark-to-market exposure that could therefore cause the Member's margin deposit to be unable to absorb further intraday losses. The Percentage Threshold is designed to provide FICC with a reasonable risk buffer to allow the VaR Charge collected to function as expected.<sup>22</sup> When a Member's mark-to-market exposure meets or exceeds a certain percentage as compared to its daily VaR Charge, the value of the Member's portfolio is trending towards a potential loss. The Percentage Threshold is calculated to equal a percentage of the daily VaR Charge that FICC has determined would leave it with a sufficient amount of a Member's remaining VaR Charge after accounting for potential losses arising from the Member's mark-to-market Exposure.<sup>23</sup> Initially, FICC will set the

---

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> More specifically, the VaR Charge is designed to cover potential losses over a three-day liquidation period for a Member at least 99 percent of the time, assuming normal market conditions. *Id.*

<sup>23</sup> *Id.* at 13967-8.

Percentage Threshold at 30 percent. FICC states that this level of mark-to-market exposure would likely pose an increased risk to the sufficiency of the Member's Required Fund Deposit.<sup>24</sup>

(3) *The Trading Day Threshold/Coverage Target*: The purpose of the Trading Day Threshold is to identify those Members who have a limited trading history.<sup>25</sup> As proposed, Members that have limited trading history, *i.e.*, fewer than 100 trading days in a rolling 12-month period, would be assessed the proposed Intraday Mark-to-Market Charge irrespective of their backtesting coverage if they were to breach the Dollar Threshold and the Percentage Threshold.<sup>26</sup> One backtesting deficiency for a Member with fewer than 100 trading days within a rolling 12-month period would have a disproportionate effect on their backtesting coverage. Therefore, a Member with fewer than 100 trading days in a rolling 12-month period who has breached the Dollar and Percentage Threshold will be assessed the proposed Intraday Mark-to-Market Charge.<sup>27</sup>

The purpose of the Coverage Target is to identify those Members who have experienced backtesting deficiencies that bring their backtesting results as reported in the most current month below a certain threshold percentage as determined by FICC from time to time, initially to be set at 100 percent. FICC states that such Members pose an increased risk of loss to FICC because their backtesting deficiencies

---

<sup>24</sup> *Id.*

<sup>25</sup> See Notice of Filing, *supra* note 3, 90 FR at 13968.

<sup>26</sup> A Member's backtesting coverage is determined by calculating the number of days without backtesting deficiencies per 100 trading days in a rolling 12-month period.

<sup>27</sup> *Id.*



demonstrate that FICC's risk-based margin model did not perform as expected for that Member. Thus, the Coverage Target is designed to provide coverage to FICC for risk exposures arising from intraday mark-to-market fluctuations in the portfolio of a Member for whom the FICC margin model is not performing as expected.<sup>28</sup>

FICC states that it would review and assess the sufficiency of all three thresholds at least annually.<sup>29</sup> If FICC determines that an adjustment to any of the thresholds is necessary to provide reasonable coverage, FICC's market risk group would document the rationale and obtain approval for the change.<sup>30</sup> FICC would notify Members of any such changes via an Important Notice.<sup>31</sup>

The Proposed Rule Change also states that, if volatile market conditions occur, FICC may: (1) reduce the Dollar Threshold (but not to less than \$250,000); (2) reduce the Percentage Threshold (but not to less than five percent); or (3) modify or not consider the 12-month Coverage Target. Examples of volatile market conditions outlined in the Proposed Rule Change include, but are not limited to, the occurrence of sudden swings in U.S. Treasury yields or mortgage-backed security spreads outside of historically observed market moves and/or conditions contributing to intraday risk exposures to FICC that, in aggregate, materially exceed intraday risk exposures observed under normal market conditions. FICC will provide Members

---

<sup>28</sup> *Id* at 13968.

<sup>29</sup> *Id* at 13967-8.

<sup>30</sup> *Id.*

<sup>31</sup> *Id* at 13969.

with a minimum of one business day advance notice of changes to any parameter due to volatile market conditions via an Important Notice.<sup>32</sup>

Lastly, the Proposed Rule Change states that FICC may waive the imposition, or decrease the amount, of the Intraday Mark-to-Market Charge. FICC may determine that the adverse intraday mark-to-market change in the portfolio of the Netting Member or Segregated Indirect Participant and/or breaches of the thresholds described above do not accurately reflect FICC's risk exposure from these intraday mark-to-market fluctuations. The Proposed Rule Change states that one example, though not the only, of a circumstance where a waiver or decrease of the Intraday Mark-to-Market Charge may be appropriate is when there are large mark-to-market fluctuations arising out of trade errors for which FICC can confirm the reversal/correction thereto. FICC states that it is important to retain discretion on the imposition of the Intraday Mark-to-Market Charge to those Members who pose an elevated level of risk to FICC. If FICC determines that either a waiver or reduction of an Intraday Mark-to-Market Charge is appropriate, the FICC market risk group would document the rationale and obtain the requisite approval for the waiver/reduction, in accord with FICC's internal market risk management policies and procedures. All waiver and/or reduction of the Intraday Mark-to-Market Charge shall be approved, documented and reviewed on a regular basis pursuant to FICC's procedures.<sup>33</sup>

FICC states that the proposed Intraday Mark-to-Market Charge would work in conjunction with the Intraday Supplemental Fund Deposit<sup>34</sup> to help FICC mitigate intraday exposures. Whereas the Intraday Supplemental Fund Deposit is designed to mitigate intraday

---

<sup>32</sup> FICC's Important Notices are posted on The Depository Trust and Clearing Corporation website at <https://www.dtcc.com/legal/important-notice>.

<sup>33</sup> See Notice of Filing, *supra* note 3, 90 FR 13969-13970.

<sup>34</sup> See GSD Rule 4, Section 2a, *supra* note 8.

risk exposure to FICC that results from large fluctuations in a Member's portfolio due to new and unsettled trade activities, the proposed Intraday Mark-to-Market Charge is designed to mitigate intraday risk exposure to FICC that results from large fluctuations in a Member's portfolio due to changes in position and market value.<sup>35</sup>

#### **IV. Discussion and Commission Findings**

Section 19(b)(2)(C) of the Act<sup>36</sup> 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 carefully considering 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 FICC. In particular, the Commission finds that the Proposed Rule Change is consistent with Sections 17A(b)(3)(F) and 17A(b)(3)(I)<sup>37</sup> of the Act and Rules 17ad-22(e)(4)(i), (e)(6)(i) and (e)(6)(ii), each promulgated under the Act.<sup>38</sup>

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

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

---

<sup>35</sup> See Notice of Filing, *supra* note 3, 90 FR 13967.

<sup>36</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>37</sup> 15 U.S.C. 78q-1(b)(3)(F) and (b)(3)(I).

<sup>38</sup> 17 CFR 240.17ad-22(e)(4)(i), (e)(6)(i) and (e)(6)(ii).

control or for which they are responsible.<sup>39</sup> The Proposed Rule Change is consistent with Section 17A(b)(3)(F) of the Act for the reasons discussed below.

As described in Section III above, FICC proposes to introduce the Intraday Mark-to-Market Charge as an additional charge when calculating the Required Fund Deposit and Segregated Customer Margin Requirement in the Margin Component Schedule. Adding the Intraday Mark-to-Market Charge to FICC's Margin Component Schedule should produce margin levels that better reflect the risks of Member portfolios associated with intraday changes in the size, composition and constituent security prices of each Member's Margin Portfolio or Segregated Indirect Participant's portfolio.

From July 1, 2022 through June 30, 2024, FICC performed an Impact Study<sup>40</sup> to assess the amount of Intraday Mark-to-Market Charges that would be assessed on Members, and the effect such Intraday Mark-to-Market Charges would have on backtesting deficiencies as compared to the existing GSD Rules. The Commission has reviewed and analyzed the Impact Study. Based on the Commission's review of the Impact Study, had the Intraday Mark-to-Market Charge been in place during this period, the aggregate average daily Intraday Mark-to-Market Charges would have been approximately \$28.8 million, assessed to those Members twice a day, on average. The periods from July 1, 2022 through June 30, 2023 showed higher market volatility than the period from July 1, 2023 through June 30, 2024, resulting in higher aggregate average daily Intraday Mark-to-Market Charges, assessed more often than during the subsequent

---

<sup>39</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>40</sup> As part of the Proposed Rule Change, FICC filed Exhibit 3 – GSD Mark-to-Market Charge Impact Study. Pursuant to 17 CFR 240.24b-2, FICC requested confidential treatment of Exhibit 3.

Study period.<sup>41</sup> Based on the Commission's review of the Impact Study, had the Intraday Mark-to-Market Charge been in place, backtesting deficiencies would have been reduced by six percent over the time period covered by the Impact Study.

By helping to ensure that FICC collects margin amounts sufficient to manage intraday risk associated with its Members' portfolios, the proposed Intraday Mark-to-Market Charge would help limit FICC's exposure in a member default scenario. The Proposed Rule Change would generally provide FICC with additional resources to manage potential losses arising out of a Member default. Such additional resources would decrease the likelihood that losses arising out of a Member default would exceed FICC's prefunded resources, i.e., the Clearing Fund, resulting in a disruption of FICC's operation of its critical clearance and settlement services. Accordingly, the Proposed Rule Change should help FICC to continue providing prompt and accurate clearance and settlement of securities transactions, consistent with 17A(b)(3)(F) of the Act.<sup>42</sup>

In addition, as described in Section II above, FICC would access the mutualized Clearing Fund should a defaulted Member's own margin be insufficient to satisfy losses to FICC caused by the liquidation of that Member's portfolio. The implementation of a Mark-to-Market Charge should help to ensure that FICC has collected sufficient margin from Members and indirect participants and minimize the likelihood that FICC would have to access the Clearing Fund, thereby limiting non-defaulting Members' exposure to mutualized losses. By helping to limit the exposure of FICC's non-defaulting Members to mutualized losses, the Proposed Rule Change

---

<sup>41</sup> See Notice of Filing, *supra* note 3, 90 FR at 13970.

<sup>42</sup> 15 U.S.C. 78q-1(b)(3)(F).

should help FICC assure the safeguarding of securities and funds which are in its custody or control, consistent with Section 17A(b)(3)(F) of the Act.<sup>43</sup>

B. Consistency with Section 17A(b)(3)(I)

Section 17A(b)(3)(I) of the Act requires that the rules of a clearing agency, such as FICC, do not impose any burden on competition not necessary or appropriate in furtherance of the Act.<sup>44</sup> Section 17A(b)(3)(I) does not require the Commission to make a finding that FICC chose the option that imposes the least possible burden on competition. Rather, the Act requires that the Commission find that the Proposed Rule Change does not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act, which involves balancing the competitive effects of the Proposed Rule Change against all other relevant considerations under the Act.<sup>45</sup>

One commenter states that, although it appreciates and respects FICC's market risk management strategy and its responsibilities under Section 17A of the Act and Rule 17ad-22 thereunder, the Proposed Rule Change's requirement for a Segregated Indirect Participant, like a registered fund (including money market funds), to pay an Intraday Mark-to-Market Charge within one hour of demand will create significant operational disruptions, further disincentivize funds to participate in FICC's registered fund margin framework, and potentially harm fund shareholders by reducing the fund's ability to earn returns on its investments.<sup>46</sup>

---

<sup>43</sup> *Id.*

<sup>44</sup> 15 U.S.C. 78q-1(b)(3)(I).

<sup>45</sup> *See* Bradford National Clearing Corp., 590 F.2d 1085, 1105 (D.C. Cir. 1978).

<sup>46</sup> *See* Letter from Paul Cellupica, General Counsel, and Kimberly Thomasson, Assistant General Counsel, Investment Company Institute (Apr. 17, 2025), ("ICI Letter"). To address this concern, the commenter states that FICC should seek confirmation from the Commission staff that the ability of a Sponsoring Member to pre-fund its customer's Segregated Customer Margin Requirements in accordance with Section (b)(1)(iii) of Note H to Rule 15c3-3a (17 CFR 240.15c3-3a) under the Act is consistent with the

The Commission acknowledges the requirement to pay an Intraday Mark-to-Market Charge within one hour of demand could present potential competitive challenges for a registered fund that chooses to be a Segregated Indirect Participant. However, no market participant is required to join FICC as a Segregated Indirect Participant.

Moreover, the inability of a potential market participant, such as a registered fund, to pay an Intraday Mark-to-Market Charge and, potentially, to participate in FICC as a Segregated Indirect Participant, does not preclude such market participant from accessing FICC. Specifically, an indirect participant may utilize FICC's Agent Clearing Service or Sponsored Service in a manner that does not require the indirect participant to post margin itself (that is, to be a Segregated Indirect Participant).<sup>47</sup> Under such arrangements, the Sponsoring Member or Agent Clearing Member would be responsible for any Intraday Mark-to-Market Charges arising from the indirect participant's activity, as part of their Required Fund Deposit, as specified in the proposed changes to Section 2 of the Margin Component Schedule in the Proposed Rule Change.

Moreover, this margin requirement does not present an undue burden on competition if it is necessary or appropriate in furtherance of the Act. As discussed in section IV.A above, the Commission has reviewed FICC's Impact Study and agrees that had the Intraday Mark-to-Market Margin Charge been in place during the Impact Study period, it would have generated

---

Commission's time-limited no-action position relating to Sponsoring Members holding registered fund-posted margin. ICI Letter at 2. *See also* Securities Exchange Act Release No. 99149 (Dec. 13, 2023), 89 FR 2714, 2728 (Jan. 16, 2024) (S7-23-22). The commenter further explains that, without further guidance, the commenter is concerned that the conditions of the time-limited no-action relief relating to Sponsoring Members could be read not to contemplate the possibility of pre-funding and reimbursement by a registered fund to its Sponsoring Member, notably that the margin provided by the registered fund is not commingled with, and kept separate from, the Sponsoring Member's assets and that the Sponsoring Member segregates on its books and records the margin provided by the registered fund. ICI Letter at 5. This aspect of the comment is outside the scope of the Proposed Rule Change, as it relates to interpretation of Commission no-action relief and does not relate to the Commission's consideration of the Proposed Rule Change's consistency with the Exchange Act and the rules and regulations thereunder.

<sup>47</sup> *See* GSD Rulebook, Rule 2B, Sections 2 and 3, note 8, *supra*.

margin levels that better reflect the intraday risks of the Member portfolios and help FICC achieve backtesting coverage above FICC's targeted confidence level.

Accordingly, for the reasons discussed above, the Proposed Rule Change does not present a burden on competition that is not necessary or appropriate in furtherance of the Act.

C. Consistency with Rule 17ad-22(e)(4)(i)

Rule 17ad-22(e)(4)(i) under the Act requires that each CCA, such as FICC, establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes, including by maintaining sufficient resources to cover its credit exposure to each participant fully with a high degree of confidence.<sup>48</sup> The Proposed Rule Change is consistent with Rule 17ad-22(e)(4)(i) under the Act for the reasons stated below.

As described in Section IV.A, FICC conducted an Impact Study from July 1, 2022 to June 30, 2024. The Commission has reviewed and analyzed the Impact Study, which demonstrates that the Intraday Mark-to-Market charge would be responsive to intraday market conditions which should better enable FICC to calculate and collect margin amounts that are sufficient to mitigate FICC's credit exposure to its Members' portfolios during intraday periods of market volatility. Over the course of the two years of the Impact Study, the Intraday Mark-to-Market Charge as proposed would have reduced the number of backtesting deficiencies and thereby better enabled FICC to collect margin sufficient to meet its coverage requirements. Therefore, the Proposed Rule Change should help ensure FICC's ability to manage its credit

---

<sup>48</sup> 17 CFR 240.17ad-22(e)(4)(i).



exposures to Members by maintaining sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence.

Accordingly, for the reasons discussed above, the Proposed Rule Change is reasonably designed to enable FICC to effectively identify, measure, monitor, and manage its credit exposure to participants, consistent with Rule 17ad-22(e)(4)(i).<sup>49</sup>

D. Consistency with Rule 17ad-22(e)(6)(i)

Rule 17ad-22(e)(6)(i) under the Act requires that each CCA, such as FICC, establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposure to its participants by establishing a risk-based margin system that, at a minimum, considers and produces margin levels commensurate with the risks and particular attributes of each relevant product, portfolio, and market.<sup>50</sup>

The Proposed Rule Change is consistent with Rule 17ad-22(e)(6)(i). The Members' Required Fund Deposits are made up of risk-based components (as margin) that are calculated and assessed daily to limit FICC's credit exposures to Members. The Proposed Rule Change is designed to more effectively measure and address intraday risk exposures due to Members' mark-to-market exposure arising between the collection of the Funds-Only Settlement Amount. As described above in Sections IV.A and IV.B, the Impact Study demonstrates that the current margin model generated margin deficiencies which were exacerbated during times of high market volatility, whereas implementing the proposed Intraday Mark-to-Market Charge would result in margin collection that better reflects the risks of Member portfolios during periods with or without high volatility better than the current GSD margin models. Specifically, the Impact

---

<sup>49</sup> 17 CFR 240.17ad-22(e)(4)(i).

<sup>50</sup> 17 CFR 240.17ad-22(e)(6)(i).

Study shows that if the Intraday Mark-to-Market Charge had been in place between July 1, 2022, and June 30, 2024, the number of backtesting deficiencies would have been reduced by 21 (from 350 to 329, or approximately 6 percent). Adding the Intraday Mark-to-Market Charge should enable FICC to more effectively mitigate the risks attributable to intraday adverse mark-to-market changes to a Member's or indirect participant's portfolio. As a result, implementing the Proposed Rule Change should better enable FICC to collect margin amounts at levels commensurate with the risks and particular attributes of its Members.

Accordingly, for the reasons discussed above, the Proposed Rule Change is designed to assist FICC in maintaining a risk-based margin system that considers, and produces margin levels commensurate with the risks associated with intraday risk exposures due to adverse mark-to-market changes arising between the collections of the Funds-Only Settlement Amount, and is consistent with Rule 17ad-22(e)(6)(i) under the Act.

E. Consistency with Rule 17ad-22(e)(6)(ii)

Rule 17ad-22(e)(6)(ii) under the Act requires each CCA, such as FICC, to establish, implement, maintain, and enforce written policies and procedures reasonably designed to cover its credit exposure to its participants by establishing a risk-based margin system that, at a minimum, among other things: includes the authority and operational capacity to make intraday margin calls as frequently as circumstances warrant, including (1) when risk thresholds specified by the CCA are breached, or (2) when the products cleared or markets served display elevated volatility; and documents when the CCA determines not to make an intraday call pursuant to its written policies and procedures.<sup>51</sup> The Proposed Rule Change is consistent with Rule 17ad-22(e)(6)(ii) for the reasons stated below.

---

<sup>51</sup> 17 CFR 240.17ad-22(e)(6)(ii).

The Proposed Rule Change identifies the three risk thresholds which must each be met to trigger FICC's Intraday Mark-to-Market Charge, and also states that FICC would make such charges when the products cleared or markets served display elevated volatility, including an illustrative example of a volatile market condition, as described in Section III above. By outlining the circumstances which would warrant the collection of an intraday mark-to-market charge, as well as describing a scenario which would constitute elevated volatility, the Proposed Rule Change grants FICC the authority and operational capacity to make intraday margin calls as frequently as circumstances warrant.

Finally, the Proposed Rule Change outlines the circumstances whereby FICC may waive the imposition of the Intraday Mark-to-Market Charge or decrease its amount. The Proposed Rule Change also states that all waiver and/or reduction of the Intraday Mark-to-Market Charge shall be approved, documented and reviewed on a regular basis. As such, the Proposed Rule Change requires the prescribed documentation underlying the decision not to make an intraday call, consistent with Rule 17ad-22(e)(6)(ii).

Accordingly, for the reasons discussed above, the Proposed Rule Change is consistent with Rule 17ad-22(e)(6)(ii).

## **V. 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, Sections 17A(b)(3)(F) and 17A(b)(3)(I) of the Act<sup>52</sup> and Rules 17ad-22(e)(4)(i), 17ad-22(e)(6)(i) and 17ad-22(e)(6)(ii) thereunder.<sup>53</sup>

---

<sup>52</sup> 15 U.S.C. 78q-1(b)(3)(F) and 15 U.S.C. 78q-1(b)(3)(I).

<sup>53</sup> 17 CFR 240.17ad-22(e)(4)(i), 17 CFR 240.17ad-22(e)(6)(i) and 17 CFR 240.17ad-22(e)(6)(ii).

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act<sup>54</sup> that proposed rule change SR-FICC-2025-005 be, and hereby is, APPROVED.<sup>55</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>56</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

---

<sup>54</sup> 15 U.S.C. 78s(b)(2).

<sup>55</sup> In approving the Proposed Rule Change, the Commission considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>56</sup> 17 CFR 200.30-3(a)(12).