

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-104755; File No. SR-FICC-2026-003)

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change to Remove the Activity Limit from the GSD Rules

January 30, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on January 29, 2026, Fixed Income Clearing Corporation (“FICC”) 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

The proposed rule change consists of modifications to FICC’s Government Securities Division (“GSD”) Rulebook (“GSD Rules”)³ in order to enhance the risk management of indirect participants by (i) removing the activity limit currently applied to Sponsoring Members and, in lieu thereof, (ii) modifying the application of the “higher of” calculation methodology that currently applies the higher of start-of-day (“SOD”) VaR Charge and intraday VaR Charge to all Sponsoring Member Omnibus Accounts to apply to only those Sponsored Members and/or Segregated Indirect Participants whose activity level exceeds a specified liquidity threshold.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Terms not defined herein are defined in the GSD Rules, available at www.dtcc.com/legal/rules-and-procedures.

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 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

FICC is proposing to enhance the risk management of indirect participants by removing the activity limit currently applied to Sponsoring Members and, in lieu thereof, modifying the application of the "higher of" calculation methodology that currently applies the higher of SOD VaR Charge and intraday VaR Charge to all Sponsoring Member Omnibus Accounts, to apply to only those Sponsored Members and/or Segregated Indirect Participants whose activity level exceeds a specified liquidity threshold.

Background

FICC, through GSD, serves as a central counterparty and provider of clearance and settlement services for transactions in U.S. government securities, as well as repurchase and reverse repurchase transactions involving U.S. government securities.⁴ As part of its market risk management strategy, FICC manages its credit exposure to Members by determining the appropriate Required Fund Deposit to the Clearing Fund and monitoring its sufficiency, as

⁴ GSD also clears and settles certain transactions on securities issued or guaranteed by U.S. government agencies and government sponsored enterprises.

provided for in the GSD Rules.⁵ At GSD, FICC calculates the Required Fund Deposit amount for each Member twice a day. The calculation is based upon each Member's unsettled and pending transactions.

The objective of a Member's Required Fund Deposit is to mitigate potential losses to FICC associated with liquidating a Member's portfolio in the event FICC ceases to act for that Member (hereinafter referred to as a "default").⁶ The aggregate amount of all Members' Required Fund Deposit constitutes the Clearing Fund. FICC would access the Clearing Fund should a defaulting Member's own Required Fund Deposit be insufficient to satisfy losses to FICC caused by the liquidation of that Member's portfolio.

Each Member is also responsible for the margin requirements arising from the activity of the Member's indirect participant customers submitted to FICC via the Sponsoring Member/Sponsored Member service ("Sponsored Service") and/or the Agent Clearing Service. FICC's Sponsored Service permits Members that are approved to be Sponsoring Members, to sponsor certain institutional firms, referred to as "Sponsored Members," into GSD membership.⁷ FICC establishes and maintains a "Sponsoring Member Omnibus Account" on its books in which it records the transactions of the Sponsoring Member's Sponsored Members ("Sponsored Member Trades").⁸ Similarly, FICC's Agent Clearing Service permits Members that are

⁵ See GSD Margin Component Schedule, supra note 3. FICC's market risk management strategy is designed to comply with Rule 17ad-22(e)(4) under the Act, where these risks are referred to as "credit risks." 17 CFR 240.17ad-22(e)(4).

⁶ The GSD Rules identify when FICC may cease to act for a Member and the types of actions FICC may take. For example, FICC may suspend a firm's membership with FICC or prohibit or limit a Member's access to FICC's services in the event that Member defaults on a financial or other obligation to FICC. See GSD Rule 21 (Restrictions on Access to Services), supra note 3.

⁷ See GSD Rule 3A (Sponsoring Members and Sponsored Members), supra note 3.

⁸ See GSD Rule 1 (Definitions) (definition of "Sponsored Member Trades"), supra note 3.

approved to be Agent Clearing Members to submit activities of certain institutional firms, referred to as “Executing Firm Customers,” into FICC for clearing and settlement. FICC establishes and maintains an “Agent Clearing Member Omnibus Account” on its books in which it records the transactions of the Agent Clearing Member’s Executing Firm Customers (“Agent Clearing Transactions”).⁹

Both the Sponsoring Members and the Agent Clearing Members also have the option of segregating Sponsored Member Trades of a Sponsored Member and Agent Clearing Transactions of an Executing Firm Customer, as applicable, in separate accounts (i.e., Segregated Indirect Participant Accounts),¹⁰ each such Sponsored Member and Executing Firm Customer being referred to as a “Segregated Indirect Participant.” FICC manages its credit exposure to Segregated Indirect Participants by determining the appropriate Segregated Customer Margin Requirement and monitoring its sufficiency, as provided for in the GSD Rules.¹¹ FICC calculates the Segregated Customer Margin Requirement amount for each Member twice a day. The calculation is based upon the unsettled and pending transactions in each Member’s (i) Sponsoring Member Omnibus Accounts designated as Segregated Indirect Participants Accounts and (ii) Agent Clearing Member Omnibus Accounts designated as Segregated Indirect Participants Accounts.

Pursuant to the GSD Rules, each Member’s Required Fund Deposit amount and/or Segregated Customer Margin Requirement amount, to the extent applicable, consist of a number

⁹ See GSD Rule 1 (definition of “Agent Clearing Transactions”), supra note 3.

¹⁰ See GSD Rule 2B (Accounts), supra note 3.

¹¹ See GSD Rule 4 (Clearing Fund and Loss Allocation) and GSD Margin Component Schedule, supra note 3. FICC’s market risk management strategy is designed to comply with Rule 17ad-22(e)(4) under the Act, where these risks are referred to as “credit risks.” 17 CFR 240.17ad-22(e)(4).

of components, each of which is calculated to address specific risks faced by FICC, as identified within the GSD Rules.¹² These components include the VaR Charge, Blackout Period Exposure Adjustment, Backtesting Charge, Holiday Charge, Margin Liquidity Adjustment Charge, Excess Capital Premium, Intraday Supplemental Fund Deposit, special charge, Portfolio Differential Charge, Volatility Event Charge, and Intraday Mark-to-Market Charge.¹³ The VaR Charge¹⁴ generally comprises the largest portion of a Member's Required Fund Deposit amount/Segregated Customer Margin Requirement amount.

The Required Fund Deposit amount and the Segregated Customer Margin Requirement amount are each designed to be directly correlated with the amount of risk created by a Member's/Segregated Indirect Participant's trade activity and is calculated based on the Member's/Segregated Indirect Participant's outstanding positions as well as its intraday trading and settlement activity. FICC has the ability to require additional financial resources or other adequate assurances (such as a limitation on their activity), as a risk mitigant from those Members that may pose a risk to FICC or its memberships.¹⁵

FICC mitigates the market risk associated with Sponsored Service and Agent Clearing Service through the twice-daily margin collection from the Sponsoring Members and Agent Clearing Members.¹⁶ In addition, under the GSD Rules, FICC currently has the ability to limit

¹² Supra note 3.

¹³ These margin components and the relevant defined terms are located in the GSD Margin Component Schedule, supra note 3.

¹⁴ See GSD Margin Component Guide (definition of "VaR Charge"), supra note 3.

¹⁵ See GSD Rule 3 (Ongoing Membership Requirements), supra note 3.

¹⁶ See Rule 3A, Section 10 and Rule 8 (Agent Clearing Service), Section 7, supra note 3.

activities and assess a higher Clearing Fund deposit, as further described below, both of which are specifically designed to manage risk exposures from the Sponsored Service.

Similar to the Sponsored Service, the Agent Clearing Service also enables participation by firms that rely on the services provided by Members in order to have their activity cleared and settled through FICC's facilities. Accordingly, FICC is looking to align the risk management and monitoring process for the Agent Clearing Service and the Sponsored Service, particularly with respect to the management of risk exposures from Sponsored Members and Segregated Indirect Participants, with the proposed changes further described below.

1. Removal of Activity Limit

Currently, FICC can manage its risk exposures from the Sponsored Service by limiting the activities that a Sponsoring Member can submit to FICC. Specifically, under Section 2(h) of GSD Rule 3A, if the sum of the VaR Charges of a Sponsoring Member's Sponsoring Member Omnibus Account(s) and its Dealer Accounts ("Aggregate VaR Charges") exceeds its Netting Member Capital,¹⁷ the Sponsoring Member shall not be permitted to submit activity into its Sponsoring Member Omnibus Account(s), unless otherwise determined by FICC in order to promote orderly settlement.¹⁸

FICC is proposing to delete this restriction on activity submission from GSD Rule 3A, and, in lieu thereof, modify the application of the "higher of" calculation methodology so that it would apply to only those Sponsored Members and Segregated Indirect Participants whose activity level exceeds a specified liquidity threshold. The proposed removal of activity limit

¹⁷ See GSD Rule 1 (definition of "Netting Member Capital"), supra note 3.

¹⁸ See GSD Rule 3A, Section 2(h), supra note 3.

would also facilitate access to FICC’s clearance and settlement services in accordance with the requirements of Rule 17ad-22(e)(18)(iv)(C) under the Act.¹⁹

2. *Modify Application of the “Higher Of” Calculation Methodology*

In addition to the activity limit described above, FICC can also manage its risk exposures from the Sponsored Service by assessing a higher Clearing Fund deposit on the Sponsoring Members. FICC currently applies the higher of the VaR Charge²⁰ calculation as of the beginning of the current Business Day and intraday on the current Business Day as the intraday VaR Charge to a Sponsoring Member’s Sponsoring Member Omnibus Account pursuant to Section 4(e) of the GSD Margin Component Schedule.²¹ FICC believes this calculation procedure, currently applicable only to Sponsoring Member Omnibus Accounts, should also apply to Sponsoring Member Omnibus Accounts designated as Segregated Indirect Participants Accounts as well as Agent Clearing Member Omnibus Accounts designated as Segregated Indirect

¹⁹ 17 CFR 240.17ad-22(e)(18)(iv)(C).

²⁰ Section 4(e) of the GSD Margin Component Schedule currently states that FICC applies the higher of the “Required Fund Deposit” calculation as of the current Business Day and intraday on the current Business Day for the Sponsoring Member Omnibus Account, even though in practice FICC calculates the Unadjusted GSD Margin Portfolio Amount applicable to a Sponsoring Member Omnibus Account based on the higher of the VaR Charge calculation as of the beginning of the current Business Day and intraday on the current Business Day. In reviewing the GSD Rules in connection with this present filing, FICC believes this reference to “Require Fund Deposit” in Section 4(e) of the GSD Margin Component Schedule is incorrect and should be changed to “VaR Charge” to accurately reflect the current practice.

²¹ FICC calculates VaR Charge twice daily based on each Member’s noon position and end-of-day position. Typically, the VaR Charge calculated based on the noon slice would be collected intraday at 2:45 p.m. (i.e., intraday VaR Charge), while the VaR Charge calculated based on the end-of-day position would be collected at start-of-day at 9:30 a.m. the next business day (i.e., SOD VaR Charge). With the application of the “higher of” methodology, FICC would compare the VaR Charge calculated based on the noon slice against the VaR Charge calculated based on the prior business day’s end-of-day positions and apply the higher of the two amounts as the intraday VaR Charge. For example, if the VaR Charge calculated based on the noon slice is lower than the VaR Charge calculated based on the prior business day’s end-of-day position, then FICC would assess the VaR Charge calculated based on the prior business day’s end-of-day position as the intraday VaR Charge. In contrast, if the VaR Charge calculated based on the noon slice is higher than the VaR Charge calculated based on the prior business day’s end-of-day position, then FICC would assess the VaR Charge calculated based on the noon slice as the intraday VaR Charge.

Participants Accounts, as both of these Account types would also be used exclusively to record transactions submitted to FICC on behalf of entities other than a Member (i.e., Sponsored Members and Segregated Indirect Participants) and thus should be monitored and risk managed in a similar manner.²² Accordingly, in addition to Sponsored Members that are currently subject to the “higher of” calculation methodology, FICC is proposing to expand the application of the “higher of” calculation methodology to include Segregated Indirect Participants. However, instead of applying the “higher of” calculation to these Account types at all times, FICC would modify the application of this methodology as described below.

In order to monitor and mitigate risk exposures from Sponsored Members and Segregated Indirect Participants whose activity level exceeds a specified liquidity threshold, FICC is proposing that, with respect to each Sponsored Member and/or Segregated Indirect Participant, FICC would compare the total liquidity needs arising from the Sponsored Member’s/Segregated Indirect Participant’s activities across all Accounts of its Sponsoring Members/Agent Clearing Members against FICC’s daily liquidity need. If on any Business Day the aggregate liquidity needs of the Sponsored Member/Segregated Indirect Participant across all Accounts exceed FICC’s daily liquidity need, then FICC would apply the “higher of” calculation methodology to the Sponsored Member/Segregated Indirect Participant for the following 25 Business Days.²³

²² As proposed, FICC would not apply the “higher of” calculation methodology to Agent Clearing Member Omnibus Accounts that are not designated as segregated. This is because, unlike Sponsored Members and Segregated Indirect Participants whose margin requirements are calculated on a gross basis, margin requirements for Agent Clearing Member Omnibus Accounts that are not designated as segregated are calculated on a net basis across all Executing Firm Customers whose transactions are recorded within the same account.

²³ FICC believes the proposed 25 Business Days application period of the “higher of” calculation methodology would provide FICC higher margin coverage within a given calendar month in order to mitigate increases in risk exposure levels arising from Members’ indirect participant activities, particularly those spanning over month-end period, which tend to be when FICC risk management has observed increases in those activities.

Specifically, the “higher of” VaR Charge would be assessed for each applicable Sponsored Member/Segregated Indirect Participant via the relevant Sponsoring Member Omnibus Account/Agent Clearing Member Omnibus Account based on the SOD and intraday VaR Charges calculated for the Sponsored Member/Segregated Indirect Participant. For example, if Sponsored Member X submits transactions through four different Sponsoring Members, generating Receive Obligations and Funds-Only Settlement Amounts that total \$100 billion on Day 1, and the FICC’s daily liquidity need on Day 1 is \$80 billion, then FICC would impose a “higher of” calculation methodology on Sponsored Member X for the next 25 Business Days, (i.e., Day 2 to Day 27), by assessing Sponsored Member X the higher of its SOD VaR Charge and intraday VaR Charge for both margin cycles. This means that, if Sponsored Member X’s SOD VaR Charge was \$300 million and its intraday VaR Charge was \$150 million on Day 2, Sponsored Member X would be assessed a VaR Charge of \$300 million for both the SOD and the intraday margin cycles on Day 2.

Proposed GSD Rule Changes

To implement the proposed changes described above, FICC proposes to make the following amendments to the GSD Rules.

FICC proposes to revise GSD Rule 1 by adding new definitions for “Affiliated Family” and “Daily Liquidity Need.”

“Affiliated Family” would be defined to mean a group of Members, excluding from the group any Member that is a securities clearinghouse, depository, exchange or other market infrastructure, in which each Member in the group is an Affiliate of at least one other Member in the group.

“Daily Liquidity Need” would be defined to mean on any Business Day, the largest payment obligation of FICC as a central counterparty, as calculated and determined by FICC, for

all projected same day, intraday and multiday settlement activity (where appropriate), assuming the default on that day of a Netting Member or, for an Affiliated Family, the largest payment obligation that FICC would have in the event of the simultaneous default of all Members of that Affiliated Family.

In addition, FICC would modify the GSD Rules by deleting Section 2(h) of GSD Rule 3A, the existing activity limit provision. Due to the deletion of GSD Rule 3A, Section 2(h), subsection 2(i) would be renumbered 2(h) and subsection 2(j) would be renumbered 2(i).

In lieu thereof, FICC would modify the GSD Rules by revising Section 4 of the GSD Margin Component Schedule to reflect the modifications to the application of the “higher of” calculation methodology. Specifically, FICC is proposing to delete the existing language in Section 4(e) of the GSD Margin Components Schedule and adding language that would provide that for each Sponsored Member and/or Segregated Indirect Participant, FICC shall compare the sum of Receive Obligations²⁴ and Funds-Only Settlement Amounts²⁵ recorded for the Sponsored Member and/or Segregated Indirect Participant across all Accounts against FICC’s Daily Liquidity Need. If on any Business Day the aggregate sum of Receive Obligations and Funds-Only Settlement Amounts of the Sponsored Member and/or Segregated Indirect Participant across all Accounts exceeds FICC’s Daily Liquidity Need, for purposes of calculating the Unadjusted GSD Margin Portfolio Amount, FICC shall apply the higher of the VaR Charge calculation as of the beginning of the day and intraday as the intraday VaR Charge to the Sponsored Member and/or Segregated Indirect Participant for the following 25 Business Days.

²⁴ See GSD Rule 1 (definition of “Receive Obligation”), supra note 3.

²⁵ See GSD Rule 1 (definition of “Funds-Only Settlement Amounts”), supra note 3.

In addition, the title of Section 4 of the GSD Margin Component Schedule would be changed from “Increased Required Fund Deposits” to “Increased Required Fund Deposits/Segregated Customer Margin Requirements.”

Impact Study

FICC performed an impact study for the period April 1, 2024 to October 31, 2025 (“Impact Study Period”). The impact study included 696 out of 2,978 Sponsored Members because they had either Receive Obligations and/or Funds-Only Settlement Amounts.²⁶ If the proposed rule changes had been in place during the Impact Study Period, out of 696 Sponsored Members, 31 Sponsored Members (or approximately 4.5%) would not be impacted and 665 Sponsored Members (or approximately 95.5%) would be positively impacted.

Specifically, out of the 31 Sponsored Members that would not be impacted, five Sponsored Members were already subject to the “higher of” calculation methodology under the current GSD Rules and would remain subject to the “higher of” calculation methodology under the proposal. For the other 26 Sponsored Members, their VaR Charges calculated based on the noon slice are higher than their VaR Charges calculated based on the prior business day end-of-day positions. Therefore, these 26 Sponsored Members were already being assessed the VaR Charge calculated based on their noon slice as their intraday VaR Charges and would continue to be assessed that way under the proposal. For the 665 Sponsored Members that would be positively impacted, they would have a reduction in their VaR Charges as a result of proposed modifications to the application of the “higher of” calculation methodology.

²⁶ Due to data limitation, the impact study did not include Funds-Only Settlement Amounts from April 1, 2024 to March 23, 2025.

On average, the five Sponsored Members would be subject to the “higher of” calculation methodology for approximately 159 out of the 398 Business Days (or approximately 40%) during the Impact Study Period, with one Sponsored Member being subject to the “higher of” calculation methodology for 381 days out of the 398-day Impact Study Period (or approximately 96%).

The average daily increase in VaR Charge in dollars for the five Sponsored Members would be approximately \$144.6 million (or approximately 19% of the average daily VaR Charge that would otherwise be assessed on the five Sponsored Members).

The five largest daily increases in VaR Charge in dollars for the five Sponsored Members would be approximately \$826.1 million (or approximately 51.7%), \$697.1 million (or approximately 47.3%), \$692.5 million (or approximately 41.8%), \$689.6 million (or approximately 46.9%), and \$682.6 million (or approximately 40.7%).

The five largest daily increases in VaR Charge for the five Sponsored Members as percentages of the relevant Sponsored Member’s daily VaR Charge that would otherwise be assessed on the Sponsored Members would be approximately 59.7% (or \$312.8 million), 55.8% (or \$361.2 million), 52.8% (or \$209.9 million), 52.6% (or \$208.3 million), and 52.5% (or \$203.8 million).

As proposed, FICC would no longer automatically apply the “higher of” calculation methodology to a Sponsoring Member’s Sponsoring Member Omnibus Account. Accordingly, the 665 Sponsored Members that would have been assessed a higher VaR Charge under the current GSD Rules would each have, on average, a daily reduction in their VaR Charges of approximately \$20.2 million (or approximately 32% of the average daily VaR Charge that would otherwise be assessed on the Sponsored Member).

Implementation Timeframe

FICC would implement the proposed rule change by no later than 60 Business Days after the approval of the proposed rule change by the Commission. FICC would announce the effective date of the proposed changes by an Important Notice posted to its website.

2. Statutory Basis

FICC believes the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. In particular, FICC believes the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act,²⁷ and Rules 17ad-22(e)(4), (e)(6)(i), and (e)(19) each promulgated under the Act,²⁸ for the reasons described below.

Section 17A(b)(3)(F) of the Act requires that the GSD Rules be designed to, among other things, assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible and be designed to promote the prompt and accurate clearance and settlement of securities transactions.²⁹ FICC believes the proposed changes to enhance the risk management of indirect participants are designed to assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible because these changes are designed to mitigate risks to FICC arising out of a Member's indirect participant activities. Specifically, the proposed changes would enable FICC to assess a higher margin on those Sponsored Members and Segregated Indirect Participants whose activity level exceeds a specified liquidity threshold. Doing so would enable FICC to

²⁷ 15 U.S.C. 78q-1(b)(3)(F).

²⁸ 17 CFR 240.17ad-22(e)(4), (e)(6)(i), and (e)(19).

²⁹ 15 U.S.C. 78q-1(b)(3)(F).

more accurately assess the margin required to cover risks arising from the activities of indirect participants such that, in the event of a Member default, FICC would be able to mitigate potential losses associated with liquidating the defaulting Member's portfolio so that FICC's operations would not be disrupted, and non-defaulting Members would not be exposed to losses they cannot anticipate or control. In this way, these proposed changes are designed to enhance FICC's risk management and its ability to assure the safe return of funds and securities by ensuring that the margin requirements take due and appropriate account of the risk arising from indirect participants' activities and thus reducing the potential risk to FICC arising from indirect participant transactions. Accordingly, these changes would support FICC's compliance with Section 17A(b)(3)(F) by further assuring FICC's safeguarding of securities and funds in its control and for which it is responsible.³⁰

The proposed rule changes to enhance the risk management of indirect participants have also been designed to be consistent with Rules 17ad-22(e)(4), (e)(6)(i), and (e)(19) under the Act.³¹ Rule 17ad-22(e)(4) requires FICC to 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 exposures arising from its payment, clearing, and settlement processes.³² The proposed changes to enhance the risk management of indirect participants address the identification, measurement, monitoring and management of credit exposures that may arise from indirect participant activities. Specifically, by modifying the application of the "higher of" calculation methodology to include each Sponsored Member

³⁰ Id.

³¹ 17 CFR 240.17ad-22(e)(4), (e)(6)(i), and (e)(19).

³² 17 CFR 240.17ad-22(e)(4).

and/or Segregated Indirect Participant whose activity level exceeds a specified liquidity threshold, the proposed changes would enable FICC to have rule provisions that are reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to indirect participants and those exposures arising from its payment, clearing, and settlement processes, which FICC believes is consistent with Rule 17ad-22(e)(4).

Rule 17ad-22(e)(6)(i) requires FICC to establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market.³³ FICC believes that the proposed changes to enhance the risk management of indirect participants as described herein are consistent with the requirements of Rule 17ad-22(e)(6)(i) cited above. The proposed changes to modify the application of the “higher of” calculation methodology to include each Sponsored Member and/or Segregated Indirect Participant whose activity level exceeds a specified liquidity threshold would help to ensure that margin levels are commensurate with the risk exposure presented by the indirect participant activities submitted to FICC by the Members. These proposed changes would help ensure that the margin that FICC collects from Members is sufficient to mitigate the credit exposure presented by the activities that Members submit to FICC on behalf of indirect participants. Overall, the proposed changes would allow FICC to more effectively address the risks presented by Members and indirect participants. In this way, the proposed changes enhance the ability of FICC to produce margin levels commensurate with the risks and particular attributes of each

³³ 17 CFR 240.17ad-22(e)(6)(i).

relevant product, portfolio, and market. As such, FICC believes that the proposed changes are consistent with the requirements of Rule 17ad-22(e)(6)(i) under the Act.³⁴

Rule 17ad-22(e)(19) requires FICC to identify, monitor, and manage the material risks to FICC arising from arrangements in which firms that are indirect participants in FICC rely on the services provided by direct participants to access FICC's clearance and settlement facilities.³⁵ FICC believes that the proposed changes to enhance the risk management of indirect participants as described herein are consistent with the requirements of Rule 17ad-22(e)(19) cited above. The proposed changes to modify the application of the "higher of" calculation methodology to include each Sponsored Member and/or Segregated Indirect Participant whose activity level exceeds a specified liquidity threshold is appropriate to manage the potential risk to FICC arising from indirect participant transactions. These proposed changes would ensure that the margin FICC collects from Members is sufficient to mitigate the credit exposure presented by the activities that Members submit to FICC on behalf of indirect participants. Overall, the proposed changes would allow FICC to more effectively address the risks presented by indirect participants. In this way, the proposed changes enhance the ability of FICC to identify, monitor, and manage the material risks to FICC arising from arrangements in which firms that are indirect participants in FICC rely on the services provided by direct participants to access FICC's clearance and settlement facilities. As such, FICC believes that the proposed changes are consistent with the requirements of Rule 17ad-22(e)(19) under the Act.³⁶

³⁴ Id.

³⁵ 17 CFR 240.17ad-22(e)(19).

³⁶ Id.

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

FICC believes the proposed rule changes to enhance the risk management of indirect participants could impose a burden on competition. As a result of the proposed rule changes, participants may experience increases in their Required Fund Deposits and/or Segregated Customer Margin Requirements. Such increases could burden participants that have lower operating margins or higher costs of capital than other participants. It is not clear whether the burden on competition would necessarily be significant because it would depend on whether the affected participants were similarly situated in terms of business type and size. Regardless of whether the burden on competition is significant, FICC believes that any burden on competition would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.³⁷

Specifically, FICC believes that the proposed rule changes to enhance the risk management of indirect participants would be necessary in furtherance of the Act, as described in this filing and further below. FICC believes that the above-described burden on competition that may be created by the proposed changes is necessary. This is because the GSD Rules must be designed to assure the safeguarding of securities and funds that are in FICC's custody or control or for which it is responsible, consistent with Section 17A(b)(3)(F) of the Act.³⁸ As described above, FICC believes that the proposed rule changes to enhance the risk management of indirect participants would enable FICC to better address risk exposure arising from the indirect participant activities. As such, the proposed changes to enhance the risk management of indirect participants are designed to assure the safeguarding of securities and funds which are in

³⁷ 15 U.S.C. 78q-1(b)(3)(I).

³⁸ 15 U.S.C. 78q-1(b)(3)(F).

the custody or control of FICC or for which it is responsible, consistent with Section 17A(b)(3)(F) of the Act.³⁹

FICC also believes these proposed changes to enhance the risk management of indirect participants are necessary to support FICC's compliance with Rules 17ad-22(e)(4), (e)(6)(i), and (e)(19) under the Act,⁴⁰ which require FICC to establish, implement, maintain and enforce written policies and procedures reasonably designed to (x) effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes, (y) cover its credit exposures 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, and (z) identify, monitor, and manage the material risks to FICC arising from arrangements in which firms that are indirect participants in FICC rely on the services provided by direct participants to access FICC's clearance and settlement facilities. As described above, FICC believes that these proposed changes to enhance the risk management of indirect participants would allow FICC to more effectively mitigate risk exposure arising out of indirect participant activities and therefore would allow FICC to effectively identify, measure, monitor, and manage its credit exposures to participants; better limit FICC's credit exposures to participants and producing margin levels commensurate with the risks and particular attributes of each relevant product and portfolio; and more effectively address the risks presented by indirect participants, consistent with the requirements of Rules 17ad-22(e)(4), (e)(6)(i), and (e)(19) under the Act.⁴¹

³⁹ Id.

⁴⁰ 17 CFR 240.17ad-22(e)(4), (e)(6)(i), (e)(19).

⁴¹ Id.

FICC also believes that the above-described burden on competition that could be created by the proposed changes would be appropriate in furtherance of the Act because such changes have been appropriately designed to assure the safeguarding of securities and funds which are in the custody or control of FICC or for which it is responsible, as described in detail above. The proposed changes to enhance the risk management of indirect participants are specifically designed to cover excessive risk exposures posed by a Sponsored Member and/or a Segregated Indirect Participant whose activity level exceeds a specified liquidity threshold (i.e., when the total liquidity needs arise from the Sponsored Member's/Segregated Indirect Participant's activities across all Accounts exceed FICC's daily liquidity need). The "higher of" calculation methodology that would be applied by FICC as a result of such proposed changes for a particular Sponsored Member and/or Segregated Indirect Participant would be necessary and in direct relation to the specific risks presented by such indirect participant's activities. Any increase in Required Fund Deposit and/or proposed Segregated Customer Margin Requirement as a result of such proposed changes for a particular Sponsored Member and/or Segregated Indirect Participant would be in direct relation to the specific risks presented by such indirect participant's activities. Accordingly, participants with portfolios that present similar risks, regardless of the type of participant, would have similar impacts on their Required Fund Deposit and/or Segregated Customer Margin Requirement amounts. Therefore, because the proposed changes are designed to provide FICC with a more appropriate and complete measure of the risks presented by indirect participants' activities, FICC believes the proposals are appropriately designed to meet its risk management goals and its regulatory obligations.

Accordingly, FICC does not believe that the proposed changes to enhance the risk management of indirect participants would impose any burden on competition that is not necessary or appropriate in furtherance of the Act.⁴²

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

FICC has 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/rules-regulations/how-submit-comment. 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.

FICC reserves 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

⁴² 15.U.S.C. 78q-1(b)(3)(I).

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. Please include file number SR-FICC-2026-003 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-FICC-2026-003. 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 filing will be available for inspection and copying at the principal office of FICC and on DTCC's website (www.dtcc.com/legal/sec-rule-filings). 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-FICC-2026-003 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.⁴³

Sherry R. Haywood,

Assistant Secretary.

⁴³ 17 CFR 200.30-3(a)(12).