

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-105046; File No. SR-FICC-2026-003)

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

March 18, 2026.

I. INTRODUCTION

On January 29, 2026, the Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change SR-FICC-2026-003, pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder.² The Proposed Rule Change would amend the Government Securities Division (“GSD”) Rulebook³ (i) to remove the activity limit currently applied to Sponsoring Members and (ii) to modify the application of the existing “higher of” calculation methodology to apply only to those Sponsored Members and Segregated Indirect Participants whose activity level exceeds a specified liquidity threshold. The Proposed Rule Change was published for comment in the *Federal Register* on February 4, 2026.⁴ The Commission has received no comments on the Proposed Rule Change.

For the reasons discussed below, the Commission is approving the Proposed Rule Change.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Each capitalized term not otherwise defined herein has its meaning as set forth in the GSD Rulebook (“Rules”), available at <https://www.dtcc.com/legal/rules-and-procedures>.

⁴ See Securities Exchange Act Release No. 104755 (Jan. 30, 2026). 91 FR 5128 (Feb. 4, 2026) (File No. SR-FICC-2026-003) (“Notice of Filing”).

II. BACKGROUND

FICC's GSD provides trade comparison, netting, risk management, settlement, and central counterparty ("CCP") services for the U.S. Government securities market.⁵ As a CCP, FICC interposes itself as the buyer to every seller and seller to every buyer for the financial transactions it clears. As such, FICC is exposed to the risk that one or more of its members may fail to make a payment or to deliver securities.

Market participants who are not members of FICC may access FICC's services indirectly through the Sponsored Service or Agent Clearing Service.⁶ The Sponsored Service allows members approved as Sponsoring Members to sponsor certain firms as "Sponsored Members."⁷ Similarly, the Agent Clearing Service allows members approved as Agent Clearing Members to submit activities of certain institutional firms, "Executing Firm Customers," for clearing and settlement. FICC establishes and maintains a Sponsoring Member Omnibus Account, to record transactions of a Sponsoring Member's Sponsored Members, and an Agent Clearing Member Omnibus Account, to record transactions of an Agent Clearing Member's Executing Firm Customers.⁸ Sponsoring Members and Agent Clearing Members also have the option of segregating transactions of Sponsored Members and Executing Firm Customers, as "Segregated Indirect Participants," in Segregated Indirect Participants Accounts.⁹

⁵ FICC's Mortgage-Backed Securities Division provides similar services for mortgage-backed securities. For purposes of this Order, "FICC" refers to GSD.

⁶ See GSD Rules 3A and 8, *supra* note 3.

⁷ See Notice of Filing, *supra* note 4, 91 FR at 5129.

⁸ *Id.*

⁹ *Id.*

A key tool that FICC uses to manage its credit exposures to its members is the daily collection of the Required Fund Deposit (*i.e.*, 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. 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 member's proprietary accounts and its indirect participant accounts not designated as Segregated Indirect Participants Accounts.¹⁰ The aggregated amount of all GSD members' margin constitutes the 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. Second, the Segregated Customer Margin Requirement is the sum of the member's Sponsoring Member Omnibus Accounts and Agent Clearing Member Omnibus Accounts designated as Segregated Indirect Participants Accounts.¹¹ Similarly, FICC would be able to access Segregated Customer Margin in the event of the default of the Segregated Indirect Participant for which that margin is held.

Both the Required Fund Deposit and Segregated Customer Margin Requirement consist of several components, each of which is calculated to address specific risks faced by FICC arising out of its members' trading activity.¹² For both, the components include, among others, a VaR charge ("VaR Charge") designed to capture the potential market price risk associated with

¹⁰ See GSD Rule 4 (Clearing Fund and Loss Allocation), *supra* note 3.

¹¹ *Id.*

¹² See GSD Rules Margin Component Schedule, Sections 2 and 5, *supra* note 3.

the securities in a member's portfolio.¹³ As a further risk mitigation step, FICC may require additional financial resources or other adequate assurances (such as limitations on activities) from members that may present a higher risk exposure to FICC.¹⁴

In particular, to mitigate the market risk associated with the Sponsored Service, FICC limits the activity that a Sponsoring Member can submit to FICC in certain circumstances. Specifically, a Sponsoring Member is not allowed to submit activity into its Sponsoring Member Omnibus Account when the sum of the VaR Charges for its Sponsoring Member Omnibus Account(s) and its Dealer Accounts ("Aggregate VaR Charges") exceeds its Netting Member Capital.¹⁵

In addition, FICC can assess a higher Required Fund Deposit on its Sponsoring Members. FICC currently determines the intraday VaR Charge on Sponsoring Member Omnibus Accounts by using a "higher of" VaR Charge calculation methodology, meaning that FICC applies as the intraday VaR Charge the higher of the VaR calculation as of the beginning of the day and intraday.¹⁶

III. DESCRIPTION OF THE PROPOSED RULE CHANGE

¹³ *Id.* The components also include, as applicable, Blackout Period Exposure Adjustment, Backtesting Charge, Holiday Charge, Intraday Supplemental Fund Deposit, Margin Liquidity Adjustment Charge, and Portfolio Differential Charge.

¹⁴ *See* Notice of Filing, *supra* note 4, 91 FR at 5129. *See also* GSD Rule 3A (Sponsoring Members and Sponsored Members) and Margin Component Schedule, *supra* note 3.

¹⁵ *See* Notice of Filing, *supra* note 4, 91 FR at 5129.

¹⁶ *Id.* at 5130. FICC calculates VaR Charge twice daily based on each Member's noon position and end-of-day position, collecting the former intraday (*i.e.*, intraday VaR Charge) and the latter at start-of-day 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. *Id.* at n.21.

FICC is proposing to amend the Rules to remove the activity limit currently applied to Sponsoring Members and to modify the application of the “higher of” calculation methodology currently applied for the intraday VaR Charge to Sponsoring Member Omnibus Accounts.¹⁷

First, the Proposed Rule Change would remove the restriction on activity submission from Sponsoring Members currently applied to Sponsoring Members whose Aggregate VaR Charges exceed their Netting Member Capital. FICC states that it 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.¹⁸ FICC also states that the proposed removal of activity limit 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

Second, FICC is proposing to expand the application of the “higher of” calculation methodology currently applied to Sponsoring Member Omnibus Accounts for the intraday VaR Charge to also apply to Segregated Indirect Participants Accounts.²⁰ FICC states that since both

¹⁷ FICC is also proposing to add two new definitions and conforming changes. FICC proposes to add to Rule 1 definitions for terms “Affiliated Family” and “Daily Liquidity Need.” See Notice of Filing, *supra* note 4, 91 FR at 5130.

¹⁸ *Id.* at 5129.

¹⁹ *Id.* at 5130 (citing 17 CFR 240.17ad-22(e)(18)(iv)(C)).

²⁰ FICC states that it would not apply the “higher of” calculation methodology to Agent Clearing Member Omnibus Accounts that are not designated as segregated because margin requirements for these accounts are calculated on a net basis across all Executing Firm Customers whose transactions are recorded within the same account, unlike Sponsored Members and Segregated Indirect Participants whose margin requirements are calculated on a gross basis. See Notice of Filing, *supra* note 4, 91 FR at 5130 n.22.

of these account types are used exclusively to record transactions submitted to FICC on behalf of indirect participants, they should be monitored and risk managed in a similar manner.²¹

In addition, to monitor and mitigate risk exposures from Sponsored Members and Segregated Indirect Participants, FICC is proposing to apply the “higher of” calculation methodology only when the aggregate liquidity needs of a particular Sponsored Member/Segregated Indirect Participant across all accounts exceed FICC’s daily liquidity need.²² To determine when to apply the “higher of” calculation methodology, 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 the indirect participant’s liquidity needs exceed FICC’s daily liquidity need on any Business Day, FICC would then apply the “higher of” the VaR Charge calculation as the intraday VaR Charge to the Sponsored Member/Segregated Indirect Participant for the following 25 Business Days.²³ FICC states that this proposed change would help monitor and mitigate risk exposures from Sponsored Members and Segregated Indirect Participants whose activity level exceeds the specified liquidity threshold of FICC’s daily liquidity need.²⁴

FICC conducted an impact study for the period from April 1, 2024 to October 31, 2025 (“Impact Study”).²⁵ Overall, the Impact Study shows that if modifications to the application of the “higher of” calculation methodology had been in place, of the Sponsored Members included

²¹ See Notice of Filing, *supra* note 4, 91 FR at 5130.

²² *Id.*

²³ *Id.*

²⁴ *Id.*

²⁵ As part of the Proposed Rule Change, FICC filed, as Exhibit 3, the Impact Study. Pursuant to 17 CFR 240.24b-2, FICC requested confidential treatment of Exhibit 3.

in the study, 95.5% of the Sponsored Members would have had a reduction in their VaR Charges, each having, 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). The Impact Study also shows that 4.5% of the Sponsored Members included would not have been impacted because they were either already subject to the “higher of” calculation methodology and remain so under the proposed modification, or they were already being assessed the VaR Charge calculated intraday as the intraday VaR Charge and would remain so under the proposed modification.

IV. DISCUSSION AND COMMISSION FINDINGS

Section 19(b)(2)(C) of the Act²⁶ 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 careful review of 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 Section 17A(b)(3)(F) of the Act²⁷ and Rule 17ad-22(e)(4), (e)(6)(i), and (e)(19) thereunder.²⁸

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

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to, among other things, promote the prompt and accurate clearance and settlement of securities

²⁶ 15 U.S.C. 78s(b)(2)(C).

²⁷ 15 U.S.C. 78q-1(b)(3)(F).

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

transactions, and assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.²⁹ The Commission believes that the Proposed Rule Change is consistent with Section 17A(b)(3)(F) of the Act for the reasons stated below.

As discussed in Part II, FICC determines and monitors the appropriate margin to collect from members to mitigate potential losses from liquidation of a member's portfolio in the event of that member's default. As discussed in Part III, the Proposed Rule Change would remove the activity limit on Sponsored Members with VaR Charges that exceed their capital, and it would revise FICC's rules such that FICC would assess a higher margin on Sponsored Members and Segregated Indirect Participants whose activity level exceeds FICC's daily liquidity need and thus pose a higher risk to FICC. The Proposed Rule Change should continue to allow FICC to assess the margin required to cover risks arising from the activity of Sponsored Members and Segregated Indirect Participants, thus helping to better mitigate potential losses arising out of a member default that would exceed FICC's prefunded resources and result in a disruption of FICC's operation of its critical clearance and settlement services. Because the modifications to margin calculation methodology would generally provide a more accurate assessment of margin sufficient to manage potential losses arising out of a member default, the Commission finds that the Proposed Rule Change should support FICC's ability to provide prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.³⁰

Additionally, the Proposed Rule Change should help limit non-defaulting members'

²⁹ 15 U.S.C. 78q-1(b)(3)(F).

³⁰ *Id.*

exposure to mutualized losses since 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. By allowing FICC to assess additional margin on Sponsored Members and Segregated Indirect Participants whose activity poses a higher risk to FICC and helping to limit the exposure of FICC's non-defaulting members to mutualized losses, the Proposed Rule Change 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.³¹

B. Consistency with Rule 17Ad-22(e)(4)

Rule 17Ad-22(e)(4)(i) requires that 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.³²

The Proposed Rule Change would modify the application of the "higher of" calculation methodology so that Sponsored Members and Segregated Indirect Participants that present a higher risk exposure to FICC have a higher margin assessment. This modification should help FICC calculate and collect sufficient margin that more accurately covers the risk exposure from activities that members submit to FICC on behalf of indirect participants. By enabling FICC to calculate and collect sufficient margin to manage and mitigate FICC's credit exposure to its members, the Proposed Rule Change is reasonably designed to enable FICC to effectively

³¹ *Id.*

³² 17 CFR 240.17ad-22(e)(4).

identify, measure, monitor, and manage its credit exposure to participants, consistent with Rule 17ad-22(e)(4).³³

C. Consistency with Rule 17Ad-22(e)(6)(i)

Rule 17Ad-22(e)(6)(i) requires that, among other things, that FICC 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, at a minimum, considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market.³⁴

By assessing higher margin on indirect participants with higher risk exposures to FICC, the modification to the application of the “higher of” calculation methodology would help ensure that margin levels are commensurate with the risk exposure presented by the activities of indirect participants submitted to FICC by Sponsoring Members and Agent Clearing Members.

Therefore, the Proposed Rule Change should allow FICC to more accurately address the risks presented by members and indirect participants, thus producing margin levels commensurate with the risks and particular attributes of each as with each relevant product, portfolio, and market, and overall better cover FICC’s credit exposures to its participants, consistent with the requirements of Rule 17ad-22(e)(6)(i).³⁵

D. Consistency with Rule 17Ad-22(e)(19)

³³ *Id.*

³⁴ 17 CFR 240.17ad-22(e)(6)(i).

³⁵ *Id.*

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.³⁶

As discussed in Part III, FICC is removing the activity limit currently applicable to Sponsoring Members, which restricts their activity when their Aggregate VaR Charges exceed their Netting Member Capital. However, FICC would continue to have additional tools available to monitor its Sponsoring Members' exposures to Sponsored Member activity. For example, FICC performs intraday monitoring and collects Intraday Supplemental Fund Deposits and/or Intraday Mark-to-Market Charges as appropriate on its indirect participant accounts and would be able to collect additional margin should a particular portfolio present that risk.³⁷ FICC would still be able to monitor its Sponsoring Members' Excess Capital Ratio, which compares (a) the amount of a Netting Member's VaR Charge, other than the VaR Charges calculated for such Netting Member's Segregated Indirect Participants Accounts, against (b) the amount of Netting Member Capital that the Netting Member maintains, and, if that ECR is greater than 1.0, FICC assesses the Excess Capital Premium.³⁸ FICC therefore would continue to have the ability to monitor and manage the potential exposures arising from Sponsored Member Activity.

In addition, FICC is modifying the application of the "higher of" calculation methodology which would also include Segregated Indirect Participants. In doing so, the

³⁶ 17 CFR 240.17ad-22(e)(19).

³⁷ *See, e.g.*, Margin Component Schedule, GSD Rules (Section 2(b) for Required Fund Deposit calculations and Section 3(b) for Segregated Indirect Customer Margin Requirements), *supra* note 3. *See also id.* (Section 2(c) identifying the inclusion of the Intraday Supplemental Fund Deposit for Sponsored GC CIL Omnibus Account Required Fund Deposits).

³⁸ *See id.* (Section 2(b) regarding Required Fund Deposit Calculations and Section 5 defining Excess Capital Ratio and Excess Capital Premium).

Proposed Rule Change should enable FICC to more accurately address the risk that the activities of all types of indirect participants present to FICC. This change should further mitigate risk exposure from indirect participant transactions for both Sponsored Members and Segregated Indirect Participants by ensuring that the margin collected is sufficient to cover the risk from these indirect participant arrangements accessing FICC's services.

For these reasons, the Proposed Rule Change should continue to allow FICC to identify, monitor, and manage the material risks to FICC arising from the activities of Sponsored Members and Segregated Indirect Participants, consistent with the requirements of Rule 17ad-22(e)(19).³⁹

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, with the requirements of Section 17A of the Act⁴⁰ and the rules and regulations promulgated thereunder.

³⁹ *Id.*

⁴⁰ 15 U.S.C. 78q-1.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act⁴¹ that proposed rule change SR-FICC-2026-003, be, and hereby is, APPROVED.⁴²

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴³

Vanessa A. Countryman,

Secretary.

⁴¹ 15 U.S.C. 78s(b)(2).

⁴² In approving the Proposed Rule Change, the Commission considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁴³ 17 CFR 200.30-3(a)(12).