

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105319; File No. SR-FICC-2026-801]

Self-Regulatory Organizations; The Fixed Income Clearing Corporation; Notice of No Objection to Advance Notice to Raise Prefunded Default Liquidity Through the Commercial Paper Program

April 27, 2026

I. INTRODUCTION

On February 26, 2026, The Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) advance notice SR-FICC-2026-801 pursuant to section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, entitled Payment, Clearing and Settlement Supervision Act of 2010 (“Clearing Supervision Act”)¹ and Rule 19b-4(n)(1)(i)² under the Securities Exchange Act of 1934 (“Exchange Act”)³ seeking no objection to establish a commercial paper program in order to raise prefunded default liquidity (hereinafter, the “Advance Notice”).⁴ On March 12, 2026, the Notice of Filing of the Advance Notice was published in the *Federal Register* to solicit public comment.⁵ The Commission has not received comments regarding the changes proposed in the Advance Notice. The Commission is hereby providing notice of no objection to the Advance Notice.

¹ 12 U.S.C. 5465(e)(1).

² 17 CFR 240.19b-4(n)(1)(i).

³ 15 U.S.C. 78a *et seq.*

⁴ *See* Notice of Filing *infra* note 5, 91 FR 12266. FICC requested accelerated Commission action with respect to a notice of no objection. *Id.* at 12270.

⁵ Securities Exchange Act Release No. 104954 (Mar. 9, 2026), 91 FR 12266 (Mar. 12, 2026) (File No. SR-FICC-2026-801) (“Notice of Filing”).

II. BACKGROUND

FICC is proposing to raise prefunded, default liquidity through the periodic issuance and private placement of short-term, unsecured commercial paper notes to institutional investors⁶ in an aggregate amount not to exceed \$10 billion (“Commercial Paper Program”). The proceeds from the Commercial Paper Program would supplement FICC’s existing qualifying liquidity resources, which collectively provide FICC with liquidity to complete end-of-day settlement in the event of the default of a FICC GSD Netting Member or MBSD Clearing Member (collectively, “Members”).⁷

FICC’s current qualifying liquidity resources include (i) cash deposits to the GSD and MBSD Clearing Funds, and (ii) amounts available to FICC through its Rules-based committed repurchase facilities, each repurchase facility referred to as a Capped Contingency Liquidity Facility (“CCLF”).⁸ FICC states that having an additional source of default liquidity should diversify FICC’s existing sources of default liquidity and help mitigate the risk that FICC is unable to secure default liquidity resources in an amount necessary to meet its liquidity needs.⁹ Additionally, FICC states that it anticipates significant increases in both the volume of activity submitted to GSD for clearing and associated liquidity obligations following the implementation

⁶ FICC states institutional investors would include qualified institutional buyers and institutional accredited investors. *See* Notice of Filing *supra* note 5, at 12267. *See also*, 17 CFR 230.144A and 17 CFR 230.501(a).

⁷ Capitalized terms not defined herein are defined in the Government Securities Division (“GSD”) Rulebook and the Mortgage-Backed Securities Division (“MBSD”) Clearing Rules (collectively, the “Rules”), available at <https://www.dtcc.com/legal/rules-and-procedures>.

⁸ *See* GSD Rule 22A (Procedures for When the Corporation Ceases to Act), Section 2a, and MBSD Rule 17 (Procedures for When the Corporation Ceases to Act), Section 2a, *id.* Participation in the CCLF is a membership requirement for all GSD Netting Members and MBSD Clearing Members. Funding under the CCLF takes the form of a repurchase (“repo”) agreement. Once FICC declares a “CCLF Event” (as such term is defined in the Rules), Members are required to provide financing up to a predetermined cap amount by entering into repo transactions with FICC until they complete the associated closeout. The CCLF allows Members to manage their potential financing requirements with predetermined caps, which are set based on the liquidity exposure generated by Members’ use of the clearing services of GSD and MBSD. *See id.*

⁹ *See* Notice of Filing *supra* note 5, at 12267.

of the Commission’s amendments to the covered clearing agency standards that apply to covered clearing agencies that clear transactions in U.S. Treasury securities.¹⁰

A. FICC’s Liquidity Risk Management

As a central counterparty (“CCP”), FICC occupies an important role in the securities settlement system by interposing itself between counterparties to financial transactions thereby reducing the risk faced by its Members and contributing to global financial stability. FICC’s liquidity risk management strategy plays an integral part in FICC’s ability to perform its role as a CCP. Even if a Member defaults, FICC would need to complete end-of-day settlement of guaranteed transactions on the failing Member’s behalf from the date of insolvency through the settlement date.

FICC’s liquidity risk management strategy is to maintain liquidity resources sufficient to meet the potential amount of funding required to settle the outstanding transactions of a defaulting Member or affiliated family of Members in a timely manner.¹¹ Similarly, FICC’s liquidity risk management strategy seeks to ensure that FICC meets its requirement to hold qualifying liquid resources, as such term is defined in Rule 17ad-22(a) under the Act,¹² sufficient

¹⁰ See *id.* (citing to 17 CFR 240.17ad-22(e)(18)(iv)(A) and (B)). See also, Securities Exchange Act Release No. 99149 (Dec. 13, 2023), 89 FR 2714 (Jan. 16, 2024) (S7–23–22).

¹¹ FICC identifies and describes the liquidity resources it maintains for each of its two divisions, GSD and MBSD, in the Clearing Agency Liquidity Risk Management Framework (“Framework”). See Securities Exchange Act Release No. 82377 (Dec. 21, 2017), 82 FR 61617 (Dec. 28, 2017) (SR-DTC-2017-004; SR-FICC-2017-008; SR-NSCC2017-005). FICC, along with its affiliates, The National Securities Clearing Corporation (“NSCC”) and The Depository Trust Company (“DTC,” and, together with NSCC and FICC, the “Clearing Agencies”), maintain the Framework which sets forth the manner in which each Clearing Agency measures, monitors and manages the liquidity risks that arise in or are borne by it. Each of the Clearing Agencies is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation, which operates on a shared service model with respect to the Clearing Agencies. Most corporate functions are established and managed on an enterprise-wide basis pursuant to intercompany agreements under which it is generally DTCC that provides relevant services to the Clearing Agencies.

¹² 17 CFR 240.17ad-22(a)(14).

to meet its minimum liquidity resource requirement in each relevant currency for which it has payment obligations owed to its Members.¹³

FICC states that it considers each of its existing default liquidity resources to be qualifying liquid resources.¹⁴ As mentioned above, these resources include the cash deposits to the GSD and MBSD Clearing Funds and amounts available under the Rules-based CCLFs, which are both sourced entirely by FICC Members.¹⁵ FICC would consider the proceeds from its Commercial Paper Program to be a qualifying liquid resource.¹⁶ FICC states that the proceeds from the Commercial Paper Program would supplement these existing default liquidity resources and would not be used for any other purpose (that is, FICC would only use the proceeds of the Commercial Paper Program to help complete settlement in the event of a Member default and not for some other purpose).¹⁷

FICC states that, although its current available qualifying liquid resources are sufficient to satisfy the single-largest family default under stressed but plausible conditions,¹⁸ the Commercial Paper Program would allow FICC to diversify its sources of default liquidity and mitigate risks that it is unable to secure default liquidity resources in an amount necessary to meet its liquidity needs.¹⁹ More specifically, FICC states that the proposal would provide FICC

¹³ See *supra* note 11.

¹⁴ See Notice of Filing *supra* note 5, at 12268.

¹⁵ See *id.*, at 12267.

¹⁶ See *id.*, at 12268.

¹⁷ See *id.*, at 12269.

¹⁸ Generally, FICC manages liquidity risks by maintaining sufficient liquid resources to settle its payment obligations under a wide range of foreseeable stress scenarios, including the default of the participant family that would generate the largest aggregate payment obligation for FICC in extreme but plausible market conditions. See *supra* note 11.

¹⁹ See Notice of Filing *supra* note 5, at 12267.

with the flexibility to reduce its reliance on its Rules-based CCLF and meet expected as well as any increased liquidity needs it may face in the future.²⁰

FICC states that its Commercial Paper Program could also diversify FICC's liquidity providers.²¹ Currently, FICC's existing default liquidity resources are sourced entirely from FICC's Members, who are obligated as Members to make deposits to the respective Clearing Funds and participate in the CCLF in the circumstances and pursuant to the terms set forth in the Rules.²² Although FICC would not limit the potential institutional investors that could purchase its commercial paper, meaning it would not specify that only certain entities could purchase its commercial paper, FICC states the investors would include, for example, insurance companies, asset managers, and pension funds.²³ Thus, while FICC is not able to ensure that the Commercial Paper Program would reduce concentration risk, given that the types of entities who typically invest in commercial paper are generally not members of FICC, the Commercial Paper Program could reduce the concentration risk related to FICC's liquidity providers.²⁴

B. *General Terms of the Commercial Paper Program*

FICC is proposing to issue up to an aggregate amount of \$10 billion under its Commercial Paper Program, as FICC deems reasonable, or as necessitated by its liquidity needs. While FICC states that it currently would not need to issue up to the aggregate amount of \$10 billion,²⁵ FICC states it is advisable to authorize up to this aggregate amount in order to help

²⁰ *See id.*, at 12268.

²¹ *See id.*, at 12267.

²² *See id.*

²³ *See id.*, at 12268.

²⁴ *See id.*

²⁵ FICC expects the average amount of commercial paper issued and outstanding at any time to be approximately \$2-3 billion. *See id.*

manage its potential future liquidity needs without further reliance on its Members, as the existing liquidity providers under the rules-based CCLF.²⁶

While the anticipated material terms and conditions of the Commercial Paper Program are summarized below, the actual terms of a future Commercial Paper Program issuance would depend on a number of factors, including FICC's liquidity needs and market conditions at the time of issuance.²⁷ Therefore, the anticipated terms summarized below may not reflect the actual terms of a future Commercial Paper Program issuance.²⁸

The commercial paper would be represented by one or more master notes issued in the name of DTC, or its nominee.²⁹ The commercial paper would be issued only through the book-entry system of DTC and would not be certificated.³⁰ The commercial paper would either be interest bearing or would be sold at a discount from their face amount.³¹ Interest payable on the commercial paper would be at market rates customary for such type of debt and reflective of the creditworthiness of FICC.³²

The commercial paper would have a maturity not to exceed 397 calendar days from the date of issue, and FICC expects the average maturity of the aggregate commercial paper outstanding issued under the Commercial Paper Program to range between three and six months.³³ FICC would structure the Commercial Paper Program such that the maturities of the

²⁶ *See id.*

²⁷ *See id.*

²⁸ *See id.*

²⁹ *See id.*

³⁰ *See id.*

³¹ *See id.*

³² *See id.*

³³ *See id.*

issued commercial paper are staggered to avoid concentrations of maturing liabilities.³⁴ The commercial paper would not be redeemable by FICC prior to maturity, nor would they contain any provision for extension, renewal, automatic rollover or voluntary prepayment.³⁵

FICC would hold the proceeds from the Commercial Paper Program in either its cash deposit account at the Federal Reserve Bank of New York (“FRBNY”) or in accounts at other creditworthy financial institutions in accordance with the Clearing Agency Investment Policy.³⁶ These amounts would be available to draw to complete settlement as needed.³⁷

III. DISCUSSION AND NOTICE OF NO OBJECTION

Although the Clearing Supervision Act does not specify a standard of review for an advance notice, the stated purpose of the Clearing Supervision Act is instructive: to mitigate systemic risk in the financial system and promote financial stability by, among other things, promoting uniform risk management standards for systemically important financial market utilities (“SIFMUs”) and strengthening the liquidity of SIFMUs.³⁸

Section 805(a)(2) of the Clearing Supervision Act authorizes the Commission to prescribe regulations containing risk management standards for the payment, clearing and settlement activities of designated clearing entities engaged in designated activities for which the

³⁴ *See id.*

³⁵ *See id.*

³⁶ *See id.* *See also*, Securities Exchange Act Release Nos. 79528 (Dec. 12, 2016), 81 FR 91232 (Dec. 16, 2016) (SR-DTC-2016-007, SR-FICC-2016-005, SR-NSCC-2016-003); 84949 (Dec. 21, 2018), 83 FR 67779 (Dec. 31, 2018) (SR-DTC-2018-012, SR-FICC-2018-014, SR-NSCC-2018-013). FICC stated that following the issuance of a Notice of No Objection by the Commission of this proposal and prior to the initial issuance of Commercial Paper, the Clearing Agencies would file a proposed rule change to amend the Clearing Agency Investment Policy to include the proceeds of the Commercial Paper Program as default liquidity funds, within the definition of “Investable Funds,” as such term is defined therein, and provide that such amounts would be held in bank deposits at eligible commercial banks or at FICC’s cash deposit account at the FRBNY. *See* Notice of Filing *supra* note 5, at 12268, n.16.

³⁷ *See* Notice of Filing *supra* note 5, at 12268.

³⁸ *See* 12 U.S.C. 5461(b).

Commission is the supervisory agency.³⁹ Section 805(b) of the Clearing Supervision Act provides the following objectives and principles for the Commission’s risk management standards prescribed under section 805(a):⁴⁰

- To promote robust risk management;
- To promote safety and soundness;
- To reduce systemic risks; and
- To support the stability of the broader financial system.

Section 805(c) provides that the Commission’s risk management standards may address such areas as risk management and default policies and procedures, among other areas.⁴¹

The Commission has adopted risk management standards under section 805(a)(2) of the Clearing Supervision Act and section 17A of the Exchange Act (the “Clearing Agency Rules”).⁴² The Clearing Agency Rules require, among other things, each covered clearing agency (“CCA”) to establish, implement, maintain, and enforce written policies and procedures that are reasonably designed to meet certain minimum requirements for its operations and risk management practices on an ongoing basis.⁴³ As such, it is appropriate for the Commission to review advance notices against the Clearing Agency Rules and the objectives and principles of these risk management standards as described in section 805(b) of the Clearing Supervision Act. As discussed below, the changes proposed in the Advance Notice are consistent with the

³⁹ 12 U.S.C. 5464(a)(2).

⁴⁰ 12 U.S.C. 5464(b).

⁴¹ 12 U.S.C. 5464(c).

⁴² 17 CFR 240.17ad-22. *See* Securities Exchange Act Release No. 68080 (Oct. 22, 2012), 77 FR 66220 (Nov. 2, 2012) (S7-08-11). *See also* Securities Exchange Act Release No. 78961 (Sept. 28, 2016), 81 FR 70786, 70806 (Oct. 13, 2016) (S7-03-14) (“Covered Clearing Agency Standards”). FICC is a “covered clearing agency” as defined in Rule 17ad-22(a).

⁴³ 17 CFR 240.17ad-22.

objectives and principles described in section 805(b) of the Clearing Supervision Act,⁴⁴ and in the Clearing Agency Rules, in particular Rule 17ad-22(e)(7).⁴⁵

A. *Consistency with Section 805(b) of the Clearing Supervision Act*

The proposal contained in the Advance Notice is consistent with the stated objectives and principles of section 805(b) of the Clearing Supervision Act.⁴⁶ Specifically, as discussed below, the changes proposed in the Advance Notice are consistent with promoting robust risk management, promoting safety and soundness, reducing systemic risks, and supporting the stability of the broader financial system.

The proposal described in the Advance Notice is consistent with promoting robust risk management because the Commercial Paper Program would provide FICC with an additional liquid resource that FICC could access in the event of a Member default. The Commercial Paper Program would supplement FICC's existing default liquidity resources and diversify the type and source of such resources. The proposal to issue commercial paper up to an aggregate amount of \$10 billion, and use the proceeds as a default liquidity resource, is designed to promote robust liquidity risk management at FICC by diversifying the set of liquid resources available to FICC in the event of a Member default. Doing so would, in turn, allow FICC to maintain sufficient liquid resources to complete settlement on each business day, with a high degree of confidence and notwithstanding the failure to settle of the Member, or affiliated family of Members, with the largest settlement obligation. While the Commercial Paper Program could bring certain financial

⁴⁴ 12 U.S.C. 5464(b).

⁴⁵ 17 CFR 240.17ad-22(e)(7).

⁴⁶ 12 U.S.C. 5464(b).

risks,⁴⁷ in the event such risks were to materialize, the ability of FICC to use other liquidity tools⁴⁸ helps promote FICC's ability to manage liquidity risk through an overall diversified range of risk management tools.

The Commercial Paper Program would promote safety and soundness by enabling FICC to obtain additional and diversified liquid resources to cover a liquidity gap that could arise in the event of a Member default. By covering such a gap, the proposal complements FICC's ability to meet its settlement obligations in the event of a Member default, thereby reducing the risk of loss contagion (*i.e.*, the risk of losses arising at other Members if FICC is unable to complete settlement). Reducing the risk of loss contagion during a Member default, in turn, reduces the possibility that losses will compromise the ability of FICC and its Members to continue operations. This enhances the ability of FICC and its Members to continue to provide stability and safety to the financial markets they serve. Therefore, by enhancing FICC's ability to address losses and liquidity pressures that otherwise might cause financial distress to FICC or its Members, the proposal described in the Advance Notice promotes safety and soundness.

The proposal described in the Advance Notice is consistent with promoting safety and soundness, reducing systemic risks, and supporting the stability of the broader financial system.

⁴⁷ For example, one risk associated with the Commercial Paper Program would be the risk that FICC does not have sufficient funds to repay issued commercial paper when the commercial paper matures. FICC would mitigate this risk by only using the proceeds from a commercial paper issuance in the event of a Member default, which FICC could replenish such proceeds through the close out of the defaulting Member's portfolio. If such closeout proceeds are insufficient, FICC would look to its loss waterfall to repay any outstanding liquidity borrowings. *See* GSD Rule 4 (Clearing Fund and Loss Allocation), Section 7 and MBSD Rule 4 (Clearing Fund and Loss Allocation), Section 7, *supra* note 8. A second risk is that FICC may be unable to issue commercial paper as issued commercial paper matures due to, for example, stressed markets at the time the issued commercial paper matures. FICC plans to mitigate this risk by staggering maturities of the issued commercial paper to avoid concentration of maturing liabilities. *See* Notice of Filing, *supra* note 5, at 12269.

⁴⁸ FICC's other qualifying liquidity resources include cash deposits to the GSD and MBSD Clearing Funds and CCLFs. *See supra* note 8. *See also*, Notice of Filing, *supra* note 5, at 12268.

Reducing the risk of loss contagion would attenuate the transmission of financial shocks from defaulting Members to non-defaulting Members. Thus, the proposal described in the Advance Notice is consistent with the stated objectives and principles of section 805(b) of the Clearing Supervision Act.⁴⁹

B. *Consistency with Rule 17ad-22(e)(7) under the Exchange Act*

The proposal described in the Advance Notice is consistent with the requirements of Rule 17ad-22(e)(7) under the Exchange Act.⁵⁰ Rule 17ad-22(e)(7) requires FICC to establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage liquidity risk that arises in or is borne by FICC, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity, as specified in the rule.⁵¹

Consistency with Rule 17ad-22(e)(7)(ii)

Rule 17ad-22(e)(7)(ii) under the Exchange Act requires each CCA to establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by it, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by, at a minimum holding qualifying liquid resources sufficient to meet the minimum liquidity resource requirement under paragraph (e)(7)(i)⁵² in each relevant currency for which the CCA has payment obligations owed to

⁴⁹ 12 U.S.C. 5464(b).

⁵⁰ 17 CFR 240.17ad-22(e)(7).

⁵¹ *Id.*

⁵² Rule 17ad-22(e)(7)(i) requires FICC to establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by it, including measuring, monitoring, and managing its settlement and funding flows on an

clearing members.⁵³ Rule 17ad-22(a)(14) under the Exchange Act defines “qualifying liquid resources” to include, among other things, cash held either at the central bank of issue or at creditworthy commercial banks.⁵⁴

As described above, the Commercial Paper Program would increase the liquidity resources available to FICC to continue to meet its liquidity obligations in a timely fashion in the event of a Member’s default. These funds should help FICC maintain sufficient liquidity resources to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios. As also discussed above, the Commercial Paper Program is designed to help ensure that FICC has sufficient, readily available qualifying liquid resources to complete settlement on each business day, with a high degree of confidence and notwithstanding the failure to settle of the Member, or affiliated family of Members, with the largest settlement obligation.

Additionally, the Commercial Paper Program would enable FICC to hold additional cash proceeds from the issuance of commercial paper in a cash deposit account at the FRBNY or in accounts at other creditworthy financial institutions in accordance with the Clearing Agency Investment Policy. Because the funds would be held at the FRBNY or a creditworthy commercial bank, they would be a qualifying liquid resource, as that term is defined in Rule

ongoing and timely basis, and its use of intraday liquidity by, at a minimum, maintaining sufficient liquid resources at the minimum in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment of obligation for the CCA in extreme but plausible market conditions. 17 CFR 240.17ad-22(e)(7)(i).

⁵³ 17 CFR 240.17ad-22(e)(7)(ii).

⁵⁴ 17 CFR 240.17ad-22(a)(14).

17ad-22(a)(14).⁵⁵ Therefore, the proposal is consistent with Rule 17ad-22(e)(7)(ii).⁵⁶

IV. CONCLUSION

IT IS THEREFORE NOTICED, pursuant to section 806(e)(1)(I) of the Clearing Supervision Act, that the Commission DOES NOT OBJECT to Advance Notice (SR-FICC-2026-801) and that FICC is AUTHORIZED to implement the proposed changes as of the date of this notice.

By the Commission.

Vanessa A. Countryman,

Secretary.

⁵⁵ 17 CFR 240.17ad-22(a)(14) (“Qualifying liquid resources means, for any covered clearing agency, . . . (i) cash held either at the central bank of issue or at creditworthy commercial banks . . .”).

⁵⁶ 17 CFR 240.17ad-22(e)(7)(ii).