SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-77675; File No. SR- FICC-2016-001)

April 21, 2016

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to the GCF Repo® Service

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 April 19, 2016, the Fixed Income Clearing Corporation ("FICC" or the "Corporation") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared primarily by FICC. 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 amendments to the Government Securities Division ("GSD") Rulebook³ ("GSD Rules") in order to: (1) permanently adopt the pilot program (the "2015 Pilot Program")⁴ that is currently in effect for the GCF Repo®⁵ service and that is scheduled to expire on June 22, 2016; (2) add clarifying rule changes regarding a process that is currently in effect with respect to the GCF Repo service and that FICC refers to as the “net-of-

⁵ GCF Repo is a registered trademark of FICC/DTCC.
net” settlement process; and (3) make technical changes to the GSD Rules. The proposed rule changes consist of changes to GSD Rule 1, GSD Rule 20 and the Schedule of GCF Timeframes.

Capitalized terms used herein and not otherwise defined shall have the meaning assigned to those terms in the GSD Rules.

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
   i. Background: Description of the GCF Repo Service and History
      (1) Development of the GCF Repo Service

The GCF Repo service was developed as part of a collaborative effort among the Government Securities Clearing Corporation (“GSCC”) (FICC’s predecessor), its two clearing banks (The Bank of New York Mellon (“BNY”) and JPMorgan Chase Bank, National Association (“Chase”)) and industry representatives. GSCC introduced the GCF Repo service on an intra-clearing bank basis in 1998.6 Under the intrabank service, Dealers7 could only engage in GCF Repo Transactions8 with other Dealers that cleared at the same clearing bank.

Currently, the GCF Repo service allows Netting Members\textsuperscript{9} that participate in the service to trade general collateral repos\textsuperscript{10} throughout the day without requiring intra-day, trade-for-trade settlement on a delivery-versus-payment ("DVP") basis. The service allows Dealers to trade such general collateral repos, based on rate and term, throughout the day with Inter-Dealer Broker Netting Members\textsuperscript{11} on a blind basis. Standardized Generic CUSIP Numbers\textsuperscript{12} have been established exclusively for GCF Repo processing and are used to specify the acceptable type of underlying Fedwire book-entry eligible collateral, which includes Treasuries, Agencies and certain mortgage-backed securities.

\textsuperscript{7} Pursuant to the GSD Rules, the term "Dealer" means a member that is a registered Government Securities Dealer. GSD Rule 1, Definitions.

\textsuperscript{8} Pursuant to the GSD Rules, the term "GCF Repo Transaction" means a Repo Transaction involving Generic CUSIP Numbers the data on which are submitted to the Corporation on a Locked-In-Trade basis pursuant to the provisions of Rule 6C, for netting and settlement by the Corporation pursuant to the provisions of Rule 20. GSD Rule 1, Definitions.

\textsuperscript{9} Pursuant to the GSD Rules, the term "Netting Member" means a Member that is a Member of the Comparison System and the Netting System. GSD Rule 1, Definitions.

\textsuperscript{10} A general collateral repo is a repo in which the underlying securities collateral is nonspecific, general collateral whose identification is at the option of the seller. This is in contrast to a specific collateral repo.

\textsuperscript{11} Pursuant to the GSD Rules, the term "Inter-Dealer Broker Netting Member" shall have the meaning set forth in Section 2 of Rule 2A. GSD Rule 1, Definitions.

\textsuperscript{12} Pursuant to the GSD Rules, the term "Generic CUSIP Number" means a Committee on Uniform Securities Identification Procedures identifying number established for a category of securities, as opposed to a specific security. The Corporation shall use separate Generic CUSIP Numbers for General Collateral Repo Transactions and GCF Repo Transactions. GSD Rule 1, Definitions.
(2) *Creation of the Interbank Version of the GCF Repo Service*

In 1999, GSCC expanded the GCF Repo service to permit Dealers to engage in GCF Repo trading on an inter-clearing bank basis, meaning that Dealers using different clearing banks could enter into GCF Repo Transactions (on a blind brokered basis).\(^\text{13}\) Because Dealers that participate in the GCF Repo service do not all clear at the same clearing bank, introducing the service as an interbank service necessitated the establishment of a mechanism to permit after-hours movements of securities between the two clearing banks to deal with the fact that GSCC would likely have unbalanced net GCF securities and cash positions within each clearing bank (meaning that, it is likely that at the end of GCF Repo processing each business day, the Dealers in one clearing bank will be net funds borrowers, while the Dealers at the other clearing bank will be net funds lenders). To address this issue, GSCC and its clearing banks established, and the Commission approved, a legal mechanism by which securities would “move” across the clearing banks without the use of the securities Fedwire.\(^\text{14}\) Therefore, at the end of the day, after the GCF Net Settlement Position\(^\text{15}\) results are produced, securities are pledged via a tri-party-like mechanism and the interbank cash component is moved via Fedwire. In the morning, the


\(^{14}\) *See id.* for a detailed description of the clearing bank and FICC accounts needed to effect the after hour movement of securities. It should be noted that movements of cash do not present the same issue because the cash Fedwire is open later than the securities Fedwire.

\(^{15}\) Pursuant to the GSD Rules, the term “GCF Net Settlement Position” means, on a particular Business Day as regards a Netting Member's GCF Repo Transaction activity in a particular Generic CUSIP Number, either a GCF Net Funds Lender Position or a GCF Net Funds Borrower Position, as the context requires. *See* GSD Rule 1, Definitions.
pledges are unwound (meaning that funds are returned to the net funds lenders and securities are returned to the net funds borrowers).

The following simplified example illustrates the manner in which the GCF Repo services works on an interbank basis:

Assume that Dealer B clears at BNY and Dealer C clears at Chase. Further assume that:

(i) outside of FICC, Dealer B engages in a tri-party repo transaction with Party X to obtain funds and seeks to invest such funds via a GCF Repo Transaction, (ii) outside of FICC, Dealer C engages in a DVP repo with Party Y to buy securities and seeks to finance these securities via a GCF Repo Transaction, and (iii) Dealer B and Dealer C enter into a GCF Repo Transaction (on a blind basis via a GCF Repo broker) and submit the trade details to FICC.

At the end of “Day 1”, GCF Repo collateral must be allocated, i.e., Dealer B must receive the securities. However, the securities that Dealer B is to receive are at Chase and the securities Fedwire is closed. The after-hours movement mechanism permits the securities to be “sent” to Dealer B as follows: FICC will instruct Chase to allocate to a special FICC clearance account at Chase securities in an amount equal to the net short securities position.

FICC has established on its own books and records two “securities accounts” as defined in Article 8 of the New York Uniform Commercial Code, one in the name of Chase (“FICC Account for Chase”) and one in the name of BNY (“FICC Account for BNY”). The FICC Account for Chase is comprised of the securities in FICC’s special clearance account maintained by BNY (“FICC Special Clearance Account at BNY for Chase”), and the FICC Account for BNY is comprised of the securities in FICC’s special clearance account maintained by Chase
(“FICC Special Clearance Account at Chase for BNY”). The establishment of these securities accounts by FICC in the name of the clearing banks enables the bank that is in the net long securities position to “receive” securities by pledge after the close of the securities Fedwire. Once the clearing bank has “received” the securities by pledge, it can credit them by book-entry to a FICC GCF Repo account at that clearing bank and then to the Dealers that clear at that bank that are net long the securities in connection with GCF Repo trades.

In the example, Chase, as agent for FICC, will transmit to BNY a description of the securities in the FICC Special Clearance Account at Chase for BNY. Based on this description, BNY will transfer funds equal to the funds borrowed position to the FICC GCF Repo account at Chase. Upon receipt of the funds by Chase, Chase will release any liens it may have on the FICC Special Clearance Account at Chase for BNY, and FICC will release any liens it may have on FICC Account for BNY (both of these accounts being comprised of the same securities). BNY will credit the securities in the FICC Account for BNY to FICC’s GCF Repo account at BNY, and BNY will further credit these securities to Dealer B, who, as noted, is in a net long securities position. In the morning of “Day 2,” all securities and funds movements occurring on Day 1, are reversed (“unwind”).

(3) **Issues with Morning Unwind Process**

In 2003, FICC shifted the GCF Repo service back to intrabank status only. By that time, the service had grown significantly in participation and volume. However, with the

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16 FICC has appointed Chase as its agent to maintain FICC’s books and records with respect to the BNY securities account, and FICC has appointed BNY as its agent to maintain FICC’s books and records with respect to the Chase securities account.

increase in use of the interbank service, certain payments systems risk issues arose from the inter-bank funds settlements related to the service, namely, the large interbank funds movement in the morning. FICC shifted the service back to intrabank status to enable management to study the issues presented and identify a satisfactory solution for bringing the service back to interbank status.

(4) The NFE Filing and Restoration of Service to Interbank Status

In 2007, FICC submitted a rule filing to address the issues raised by the interbank morning funds movement and return the GCF Repo service to interbank status (the “2007 NFE Filing”). The 2007 NFE Filing addressed these issues by using a hold against a Dealer’s “net free equity” (“NFE”) at the clearing bank to collateralize its GCF Repo cash obligation to FICC on an intraday basis.

ii. Annual Pilot Program, and Reasons for Adopting the Pilot Program Permanently

In July 2011, FICC submitted a rule filing to the Commission (SR-FICC-2011-05) proposing to make certain changes to its GCF Repo service in order to comply with the recommendations that had been made by the Tri-party Repo Infrastructure Reform Task Force.

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19 NFE is a methodology that clearing banks use to determine whether an account holder (such as a dealer) has sufficient collateral to enter a specific transaction. NFE allows the clearing bank to place a limit on its customer’s activity by calculating a value on the customer’s balances at the bank. Bank customers have the ability to monitor their NFE balance throughout the day.

(“TPR”),21 an industry group formed and sponsored by the Federal Reserve Bank of New York to advance tri-party repo reform recommendations.22 Because the GCF Repo service operates as a tri-party mechanism, FICC was requested to incorporate changes to the GCF Repo service to align the service with the other TPR recommended changes for the overall tri-party market. In SR-FICC-2011-05, FICC proposed the following rule changes with respect to the GCF Repo service to address the TPR’s Recommendations:

(1) (a) To move the Day 2 unwind from 7:30 a.m. to 3:30 p.m., (b) to move the NFE process from morning to a time established by the Corporation as announced by notice to all members, (c) to move the cut-off time of GCF Repo submissions from 3:35 p.m. to 3:00 p.m., and (d) to move the cut-off time for dealer affirmation or disaffirmation from 3:45 p.m. to 3:00 p.m.; and

(2) To establish rules for intraday GCF Repo collateral substitutions.

The rule changes described in SR-FICC-2011-05 were proposed to be run as a pilot program for one year starting from the date on which the filing was approved by the Commission (the “2011 Pilot Program”).23 Throughout 2011 and the earlier half of 2012, FICC implemented the changes referred to in paragraphs (1)(c) and (1)(d) above. On June 8, 2012, FICC submitted a rule filing to continue the 2011 Pilot Program, with certain modifications (the “2012 Pilot

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21 Information about the Federal Reserve’s Tri-party Repo Infrastructure Reform is available via http://www.newyorkfed.org/banking/tpr_infr_reform.html.

22 The main purpose of the TPR was to develop recommendations to address the risk presented by tri-party repo transactions due to the morning reversal or “unwind” process and to move to a process by which transactions are collateralized all day. The TPR’s efforts shall hereinafter be referred to as “Tri-party Reform.”

Specifically, the 2012 Pilot Program adopted the following additional changes: (1) the cut-off time for GCF Repo trade submissions was moved from 3:35 p.m. to 3:00 p.m.; (2) the 3:45 p.m. cut-off time for Dealer affirmation or disaffirmation was moved from 3:45 p.m. to 3:00 p.m.; (3) Rule 20 Section 3 was amended to delete the reference to the “morning” timeframe on Day 2 with respect to the NFE process and to add language referencing “at the time established by the Corporation”; (4) Rule 20 Section 3 was amended to provide that all requests for GCF Repo securities collateral substitutions must be submitted by the GCF Repo securities collateral provider by the applicable deadline on Day 2 (the “substitution deadline”); (5) Rule 20 Section 7 was amended to change references to the term “Security” to “security” to conform to the use of “security” throughout the rule; and (6) a defined term for “GCF Collateral Excess Account” was introduced into the GSD Rules. For the next 3 years after that, FICC submitted and the Commission approved rule filings to extend the pilot while the industry was implementing Tri-Party Reform and adapting to the changes brought about by Tri-Party Reform.\textsuperscript{25}

FICC is seeking the Commission’s approval to permanently adopt the rule changes associated with the 2015 Pilot Program, which expires on June 22, 2016. In addition, FICC is also seeking to add a clarification to the GSD Rules to reflect the net-of-net settlement process in the GCF Repo service, as further explained below. The net-of-net settlement clarification is also a result of Tri-Party Reform and reflects current practice at the GSD. FICC would like to

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permanently adopt these changes because there is no longer a need to keep extending the pilot. The rule changes associated with the pilot have been in place since 2011 with certain additional modifications that were made in connection with the 2012 Pilot Program, and Netting Members are accustomed to them; this is also the case with the net-of-net settlement changes, which came into effect when the clearing banks implemented this process in 2014 and 2015. This change required no operational changes on the part of FICC; however, FICC is proposing to make changes to the GSD Rules in an effort to ensure that the Rules reflect the current net-of-net settlement process. Any future changes that arise as a result of Tri-Party Reform will constitute stand-alone rule changes and are not expected to affect the rule changes covered in this present filing.

In addition to the above, FICC is also proposing to amend the GSD Rules to include technical clean-up changes to the GSD Rules.

iii. The Manner in Which the Proposed Rule Change Will Affect GSD Netting Members

FICC does not believe that the permanent adoption of the rule changes associated with the 2015 Pilot Program will affect Netting Members because the proposed rule changes have been in place since the approval of the 2011 and 2012 pilot-related filings. In addition, FICC does not believe that the inclusion of the rule changes associated with the net-of-net settlement will affect Netting Members because these changes are also in effect and reflect current practice.

The proposed technical changes will not affect Netting Members because they do not change the existing meaning of the GSD Rules.

26 See footnotes 23 and 24 above.
These rule changes are as follows:

1. Proposed Change Regarding the Morning Unwind and Related Rule Changes

At the beginning of the Tri-Party Reform effort, the TPR recommended that the daily unwind\(^{27}\) for all tri-party transactions be moved from the morning to 3:30 p.m. The TPR made this recommendation in order to achieve the benefit of reducing the banks’ intraday exposure to the Dealers. Because the GCF Repo service is essentially a tri-party mechanism, the TPR requested that FICC accommodate this time change. For the GSD Rules, this necessitated a change to the GSD’s *Schedule of GCF Timeframes*. Specifically, the 7:30 a.m. time in the *Schedule of GCF Timeframes* was deleted and the language therein was moved to a new time of 3:30 p.m. Because the net-of-net settlement process has now replaced the unwind, as further described below, FICC is further amending the language for the 3:30 p.m. time slot to reflect the net-of-net settlement process.

At the same time as the change to the time of the unwind needed to be made, GSD was also required to make an additional change to its processes in conjunction with the move of the unwind to 3:30 p.m. As noted above, the NFE process works in conjunction with the unwind. The process utilizes a hold against a Netting Member’s NFE at the clearing bank to collateralize the Netting Member’s GCF Repo cash obligation to FICC on an intraday basis. As part of Tri-Party Reform, because the unwind moved from the morning to 3:30 p.m. and because the NFE process was tied to the moment of the unwind, the NFE process also was required to move to coincide with the new time. As part of the pilot, the necessary rule change was made to the paragraph in Section 3 of GSD Rule 20 that addresses the NFE process to delete the reference to

\(^{27}\) See footnote 22 above.
the “morning” timeframe and to replace it with general language referencing “at the time established by the Corporation.” Because the net-of-net settlement process has now replaced the unwind, as further described below, FICC is further amending the language in the NFE paragraph to reflect the net-of-net settlement process by deleting the reference to “Day 2” and replacing it with “a particular Business Day.”

The change to the time of the unwind also necessitated a change to the cut-off time for GCF Repo trade submissions in the *Schedule of GCF Timeframes* to an earlier time of 3:00 p.m. in order to allow FICC time to submit files to the clearing banks which, in turn, provide files to Netting Members by 3:30 p.m. This permits Netting Members to have a complete picture of their positions as the unwind (now the net-of-net) occurs at 3:30 p.m. In addition, the 3:45 p.m. cut-off for Dealer affirmation or disaffirmation in the *Schedule of GCF Timeframes* was moved to 3:00 p.m. so that the new 3:00 p.m. cut-off for submissions also became the cut-off for Dealer affirmations and disaffirmations.

(2) Proposed Change Regarding Intraday GCF Repo Securities Collateral Substitutions

As a result of moving the time change of the unwind (which is now the net-of-net settlement process) to 3:30 p.m., the provider of the GCF Repo securities collateral needs a substitution mechanism for the return of its posted collateral in order to make securities deliveries for utilization of such securities in its business activities. The 2015 Pilot Program rule filing (and the previous pilot filings) added a paragraph to Section 3 of Rule 20 to accommodate intraday substitution of collateral. In this filing FICC is further amending this paragraph in Section 3 of Rule 20 to delete “During Day 2” and replace it with “On any Business Day” to accommodate the net-of-net settlement process.
If the GCF Repo Transaction is between Netting Member counterparties effecting the transaction through the same clearing bank (i.e., intrabank), such clearing bank will process each substitution request of the provider of GCF Repo securities collateral submitted prior to the substitution deadline. Netting Members are able to substitute GCF Repo collateral during the day until such time as their new requirement for that day is fully satisfied and delivered to GSD. For a GCF Repo Transaction that was processed on an interbank basis, FICC initiates a debit of the securities in the account of the lender through the FICC GCF Repo account at the clearing bank of the lender and the FICC GCF Repo account at the clearing bank of the borrower. This movement is done so that a borrower who elects to substitute collateral will have access to the collateral for which it is substituting. This is reflected in the Schedule of GCF Repo Timeframes as the timeframe of 7:30 a.m. through 2:30 p.m. Once the debit has settled, borrowers can submit substitution requests until the substitution deadline.

(3) Proposed Changes Regarding the Net-of-Net Settlement Process

As stated above, as part of the Tri-party Reform effort, GCF Repo Transactions are no longer unwound in the sense of having a reversal of the activity of the previous day. Instead, new obligations and entitlements are netted with the previous day’s obligations and entitlements, thereby requiring settlement of only the differential between the previous day’s activity and the new activity. To illustrate, consider the scenario in which a Netting Member has on a Business Day a $100 million delivery obligation to FICC, and on the following Business Day, the same Netting Member has a $110 million delivery obligation to FICC in the same Generic CUSIP Number. Prior to the net-of-net implementation, to unwind the first Business Day’s transaction, FICC would have returned the $100 million on the second Business Day, and the Netting Member would have also been required to deliver the $110 million on that Business Day to
FICC. However, after net-of-net implementation, on the second Business Day, FICC’s return of $100 million to the Netting Member is netted against the Netting Member’s obligation to deliver $110 million to FICC, such that the Netting Member is only required to deliver the additional $10 million to FICC.

The net-of-net settlement process was implemented by the clearing banks in 2014-2015 and it became FICC’s practice at that time. Thus, FICC is proposing to revise the references in Rule 20 to accurately reflect the net-of-net settlement process.

Some of the proposed rule changes necessary to reflect the net-of-net settlement process have already been discussed above. In addition to the changes in this regard discussed above, FICC is proposing to delete the “Day 1/Day 2” terminology in Section 3 of GSD Rule 20, delete terminology pertaining to “reversal” of obligations, and insert terminology regarding “netting” of obligations.

(4) Proposed Changes Regarding the Technical Changes

The technical clean-up changes will not affect Netting Members because these changes do not change the meaning of the GSD Rules as they apply to such Members.

iv. Any Significant Problems Known to FICC that Netting Members are Likely to Have in Complying with the Proposed Rule Change

FICC does not believe that Netting Members will have problems in complying with the proposed rule changes that permanently adopt the 2015 Pilot and the net-of-net settlement process because these changes are already in effect and reflect current practice. In addition, FICC is not aware of any problems that Netting Members have in complying with these provisions today. FICC does not believe that Netting Members will have a problem complying with the technical changes because they do not change the manner in which the Rules apply to such Members.
v.  **Detailed Description of the Proposed Rule Changes in Exhibit 5**

The proposed rule changes are as follows:

(1)  **Proposed Changes to Rule 1**

The term “GCF Collateral Excess Account” means an account established by a GCF Custodian Bank in the name of the Corporation to hold securities it credits to the GCF Securities Account the Corporation establishes for another GCF Clearing Agent Bank.

(2)  **Proposed Changes to Rule 20 Section 3**

(a)  References to “Day 1” and “Day 2” are proposed to be replaced with references to “particular” or “next” Business Days in order to accommodate the net-of-net settlement clarification. Additional drafting changes are reflected, where necessary, to add clarity to this change.

(b)  A new paragraph has been added to reflect the collateral substitution process.

(c)  The second sentence of the fifth paragraph has been moved to the end of the paragraph for ease of reading. This change also necessitates the deletion of the last sentence of the existing paragraph, which reads as follows: “subject to the provisions of the second sentence of this paragraph”.

(d)  The seventh paragraph has been amended to delete the reference to “the morning of Day 2” and replace such reference with “a particular Business Day at a time established by the Corporation....” This change reflects that the NFE process is no longer in the morning and also further accommodates the net-of-net settlement clarification.

(3)  **Proposed Change to Rule 20 Section 7**
Rule 20 Section 7 is proposed to be amended to reflect the following technical clean-up changes:

(a) The term “Security” has been changed to “security” in order to conform to the use of “security” throughout this section.

(b) The term “GCF Collateral Excess Account” was inadvertently not included in the Rules thus, it is being introduced in this section in order to add clarity. This term is defined in Rule 1 as “the account established by a GCF Custodian Bank in the name of the Corporation to hold securities it credits to the GCF Securities Account the Corporation establishes for another GCF Clearing Bank.”

(4) Proposed Changes to the Schedule of GCF Timeframes

The Schedule of GCF Timeframes is proposed to be amended as follows:

(a) To delete the 7:30 a.m. deadline for the return of collateral and replace it with a 3:30 p.m. time at which the net-of-net settlement process occurs.

(b) To add the 7:30 a.m. through 2:30 p.m. timeframe for the facilitation of interbank collateral substitutions.

(c) To change the cut-off time for GCF Repo Transaction submission from 3:35 p.m. to 3:00 p.m. and to also make 3:00 p.m. the deadline for Dealer trade affirmation or disaffirmation and to state that all unaffirmed trades will be automatically affirmed by FICC, that FICC will notify banks and Dealers of final positions and that collateral allocations begin.

(d) To delete the 3:45 p.m. deadline (all of whose processes are now referenced at the 3:00 p.m. timeframe).
2. Statutory Basis

This proposed rule change is designed to: (1) permanently adopt the rules in the 2015 Pilot Program; (2) incorporate language into the GSD Rules to reflect the net-of-net settlement process; and (3) make technical changes to the GSD Rules. The 2015 Pilot Program has already been approved by the Commission as consistent with the Act.\(^{28}\) The rules adopted in the 2015 Pilot Program were intended to advance the TPR’s Tri-Party Reform recommendations to make the tri-party repo industry safer by moving the morning unwind process to the afternoon in an effort to ensure that such transactions are collateralized all day, thereby limiting the amount of intraday credit that is extended by clearing banks during the day. Permanently adopting these rules will serve to minimize systemic risk and bring certainty to market participants. Accordingly, the permanent adoption the 2015 Pilot Program rules will help to protect investors and the public interest, and help to assure the safeguarding of securities and funds which are in FICC’s custody or control or for which FICC is responsible, consistent with Section 17A(b)(3)(F) of the Exchange Act.\(^{29}\) Permanently adopting these rules will also avoid the need for FICC to renew the pilot program annually.

Codifying the net-of-net settlement process in the GSD Rules constitutes no change to FICC’s current operations because the net-of-net settlement process was implemented by the clearing banks in 2014-2015. Changing the GSD Rules to reflect the net-of-net settlement process will eliminate obsolete language from the GSD Rules. Similarly, the technical changes proposed in this filing will make non-substantive corrections that will clarify the GSD Rules.

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Accordingly, the changes related to the net-of-net settlement process and the technical changes to the GSD Rules will provide for a more well-founded and transparent legal framework for FICC’s activities, consistent with Exchange Act Rule 17Ad-22(d)(1).30

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

FICC does not believe that the proposed rule change would impose any burden on competition. The proposed changes apply to all Netting Members participating in the GCF Repo service and reflect industry reform efforts that apply to similar transactions outside of FICC.

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

Written comments on the proposed rule change have not yet been solicited or received. FICC will notify the Commission of any written comments received by FICC.

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 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 the proposed rule change; or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

30 17 CFR 240.17Ad-22(d)(1).
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 (http://www.sec.gov/rules/sro.shtml) or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FICC-2016-001 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.
All submissions should refer to File Number SR-FICC-2016-001. This file number should be included on the subject line if e-mail 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 (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filings also will be available for inspection and copying at the principal office of FICC and on FICC’s website at http://www.dtcc.com/legal/sec-rule-filings.aspx.
All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FICC-2016-001 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.\textsuperscript{31}

Brent J. Fields
Secretary

\textsuperscript{31} 17 CFR 200.30-3(a)(12).