

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-80349; File No. SR-FICC-2017-001)

March 30, 2017

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving a Proposed Rule Change to (1) Implement the Margin Proxy, (2) Modify the Calculation of the Coverage Charge in Circumstances Where the Margin Proxy Applies, and (3) Make Certain Technical Corrections

I. Introduction

Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) on February 2, 2017 the proposed rule change SR-FICC-2017-001 (“Proposed Rule Change”) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder.<sup>2</sup> The Proposed Rule Change was published for comment in the Federal Register on February 9, 2017.<sup>3</sup> The Commission received three comment letters<sup>4</sup> to the Proposed Rule Change, including a response letter from FICC.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4. FICC also filed this proposal as an advance notice pursuant to Section 802(e)(1) of the Payment, Clearing, and Settlement Supervision Act of 2010 and Rule 19b-4(n)(1) under the Act. 15 U.S.C. 5465(e)(1) and 17 CFR 240.19b-4(n)(1). The advance notice was published for comment in the Federal Register on March 2, 2017. See Securities Exchange Act Release No. 80139 (March 2, 2017), 82 FR 80139 (March 8, 2017) (SR-FICC-2017-801) (“Advance Notice”). The Commission did not receive any comments on the Advance Notice.

<sup>3</sup> Securities Exchange Act Release No. 79958 (February 3, 2017), 82 FR 10117 (February 9, 2017) (SR-FICC-2017-001)(“Notice”).

<sup>4</sup> See letter from Robert E. Pooler, Chief Financial Officer, Ronin Capital LLC (“Ronin”), dated February 24, 2017, to Eduardo A. Aleman, Assistant Secretary, Commission (“Ronin Letter”); letter from Alan Levy, Managing Director, Industrial and Commercial Bank of China Financial Services LLC (“ICBCFS”), dated February 24, 2017, to Commission (“ICBCFS Letter”); and Timothy J. Cuddihy, Managing Director, FICC, dated March 8, 2017, to Eduardo A. Aleman,

## II. Description of the Proposed Rule Change

The Proposed Rule Change proposes several amendments to the FICC Government Securities Division (“GSD”) Rulebook (“GSD Rules”)<sup>5</sup> designed to provide FICC with a supplemental means to calculate the VaR Charge component of its GSD Netting Members’ (“Netting Members”) daily margin requirement, known as the “Required Fund Deposit.” Specifically, under the proposal, FICC would include a minimum volatility calculation for a Netting Member’s VaR Charge called the “Margin Proxy.” FICC represents that the Margin Proxy would enhance the risk-based model and parameters that FICC uses to establish Netting Members’ Required Fund Deposits by enabling FICC to better identify the risk posed by a Netting Member’s unsettled portfolio.

### A. *Overview of the Required Fund Deposit*

According to FICC, a key tool it uses to manage market risk is the daily calculation and collection of Required Fund Deposits from its Netting Members. The Required Fund Deposit is intended to mitigate potential losses to FICC associated with liquidation of such Netting Member’s accounts at GSD that are used for margining purposes (“Margin Portfolio”) in the event that FICC ceases to act for such Netting Member (referred to as a Netting Member “Default”).

A Netting Member’s Required Fund Deposit consists of several components, including the VaR Charge and the Coverage Charge. The VaR Charge comprises the largest portion of a Netting Member’s Required Fund Deposit amount and is calculated

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Assistant Secretary, Commission (“FICC Letter”) available at <https://www.sec.gov/comments/sr-ficc-2017-001/ficc2017001.htm>.

<sup>5</sup> Available at <http://www.dtcc.com/en/legal/rules-and-procedures>.

using a risk-based margin methodology model that is intended to cover the market price risk associated with the securities in a Netting Member's Margin Portfolio. That risk-based margin methodology model, which FICC refers to as the "Current Volatility Calculation," uses historical market moves to project the potential gains or losses that could occur in connection with the liquidation of a defaulting Netting Member's Margin Portfolio.

The Coverage Charge is calculated based on the Netting Member's daily backtesting results conducted by FICC. Backtesting is used to determine the adequacy of each Netting Member's Required Fund Deposit and involves comparing the Required Fund Deposit for each Netting Member with actual price changes in the Netting Member's Margin Portfolio. The Coverage Charge is incorporated in the Required Fund Deposit for each Netting Member, and is equal to the amount necessary to increase that Netting Member's Required Fund Deposit so that the Netting Member's backtesting coverage may achieve the 99 percent confidence level required by FICC (i.e., two or fewer backtesting deficiency days in a rolling twelve-month period).

*B. Proposed Change to the Existing VaR Charge Calculation*

Under the proposal, FICC would create the Margin Proxy, a new, benchmarked volatility calculation of the VaR Charge. The Margin Proxy would act as an alternative to the Current Volatility Calculation of the VaR Charge to provide a minimum volatility calculation for each Netting Member's VaR Charge. FICC proposes to use the Margin Proxy as the VaR Charge if doing so would result in a higher Required Fund Deposit for a Netting Member than using the Current Volatility Calculation as the VaR Charge. In addition, as described in more detail below, because FICC's testing shows that the

Margin Proxy would, by itself, achieve a 99 percent confidence level for Netting Members' backtesting coverage when used in lieu of the Current Volatility Charge, in the event that FICC uses the Margin Proxy as the VaR Charge for a Netting Member, it would reduce the Coverage Charge for that Netting Member by a commensurate amount, as long as the Coverage Charge does not go below zero.

According to FICC, during the fourth quarter of 2016, its Current Volatility Calculation did not respond effectively to the level of market volatility at that time, and its VaR Charge amounts (calculated using the profit and loss scenarios generated by the Current Volatility Calculation) did not achieve backtesting coverage at a 99 percent confidence level,<sup>6</sup> which resulted in backtesting deficiencies for the Required Fund Deposit beyond FICC's risk tolerance.<sup>7</sup> FICC's calculation of the Margin Proxy is designed to avoid such deficiencies. The Margin Proxy provides FICC with an alternative calculation of the VaR Charge to the Current Volatility Calculation of the VaR Charge. In particular, the Margin Proxy is likely to be used when the Current Volatility Calculation is lower than volatility from certain benchmarks (i.e., market price volatility from corresponding U.S. Treasury and to-be-announced ("TBA")<sup>8</sup> securities benchmarks.<sup>9</sup> The Margin Proxy separately calculates U.S. Treasury securities and agency pass-through mortgage backed securities ("MBS"). According to FICC, the historical price changes of these two asset classes are different due to market factors such

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<sup>6</sup> Notice, 82 FR at 10118.

<sup>7</sup> Id.

<sup>8</sup> FICC states that specified pool trades are mapped to the corresponding positions in TBA securities for determining the VaR Charge.

<sup>9</sup> Notice, 82 FR at 10118.

as credit spreads and prepayment risk.<sup>10</sup> This would allow FICC to monitor the performance of each of those asset classes individually.<sup>11</sup> By using separate calculations for the two asset classes, the Margin Proxy would cover the historical market prices of each of those asset classes, on a standalone basis, to a 99 percent confidence level.

The Margin Proxy would be calculated per Netting Member, and each security in a Netting Member's Margin Portfolio would be mapped to a respective benchmark based on the security's asset class and maturity.<sup>12</sup> All securities within each benchmark would be aggregated into a net exposure.<sup>13</sup> Once the net exposure is determined, FICC would apply an applicable haircut<sup>14</sup> to each benchmark's net exposure to determine the net price risk for each benchmark ("Net Price Risk"). Finally, FICC would separately determine the asset class price risk ("Asset Class Price Risk") for U.S. Treasury and MBS benchmarks by aggregating the respective Net Price Risk for each benchmark. To provide risk diversification across tenor buckets for the U.S. Treasury benchmarks, the Asset Class Price Risk calculation includes a correlation adjustment that has been historically observed across the U.S. Treasury benchmarks. According to FICC, the

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<sup>10</sup> Id.

<sup>11</sup> Id.

<sup>12</sup> According to FICC, U.S. Treasury and agency securities would be mapped to a U.S. Treasury benchmark security/index, while MBS would be mapped to a TBA security/index.

<sup>13</sup> Net exposure is the aggregate market value of securities to be purchased by the Netting Member minus the aggregate market value of securities to be sold by the Netting Member.

<sup>14</sup> The haircut is calculated using historical market price changes of the respective benchmark to cover the expected market price volatility at 99 percent confidence level.

Margin Proxy would thereby represent the sum of the U.S. Treasury and MBS Asset Class Price Risk.<sup>15</sup> FICC would compare the Margin Proxy to the Current Volatility Calculation for each asset class and then apply whichever is greater as the VaR Charge for each Netting Member's Margin Portfolio.

FICC expresses confidence that this proposal would provide the adequate VaR Charge for each Netting Member because its calculations show that including the Margin Proxy results in backtesting coverage above the 99 percent confidence level for the past four years.<sup>16</sup> Additionally, FICC asserts that, by using industry-standard benchmarks that can be observed by Netting Members, the Margin Proxy would be transparent to Netting Members.<sup>17</sup>

FICC further asserts that the Margin Proxy methodology would be subject to performance reviews by FICC. Specifically, FICC would monitor each Netting Member's Required Fund Deposit and the aggregate FICC GSD clearing fund ("Clearing Fund") requirements and compare them to the requirements calculated by the Margin Proxy. Consistent with the current GSD Rules,<sup>18</sup> FICC would review the robustness of the Margin Proxy by comparing the results versus the three-day profit and loss of each Netting Member's Margin Portfolio based on actual market price moves. If the Margin Proxy's backtesting results do not meet FICC's 99 percent confidence level, FICC states that it would consider adjustments to the Margin Proxy, including increasing the look-

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<sup>15</sup> Notice, 82 FR at 10119.

<sup>16</sup> Id.

<sup>17</sup> Id.

<sup>18</sup> See definition of VaR Charge in GSD Rule 1, Definitions, supra note 5.

back period and/or applying a historical stressed period to the Margin Proxy calibration, as appropriate.<sup>19</sup>

*C. Proposed Modification to the Coverage Charge when the Margin Proxy is Applied*

FICC also proposes to modify the calculation of the Coverage Charge when the Margin Proxy is applied as the VaR Charge. Specifically, FICC would reduce the Coverage Charge by the amount that the Margin Proxy exceeds the sum of the Current Volatility Calculation and Coverage Charge, but not by an amount greater than the total Coverage Charge. FICC states that its backtesting analysis demonstrates that the Margin Proxy, on its own, achieves the 99 percent confidence level without the inclusion of the Coverage Charge.<sup>20</sup> FICC would not modify the Coverage Charge if the Margin Proxy is not applied as the VaR Charge.

*D. Technical Corrections*

FICC also proposes technical corrections to the GSD Rules. Specifically, FICC proposes to: (1) capitalize certain words in the definition of VaR Charge in Rule 1 in order to reflect existing defined terms; (2) add “Netting” before “Member” in the definition of VaR Charge to reflect the application of the VaR Charge on Netting Members; and (3) correct typographical errors in Section 1b(a) of Rule 4.

III. Summary of Comments Received

The Commission received three comment letters in response to the proposal. Two comment letters – the Ronin Letter and the ICBCFS Letter – raise concerns with respect

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<sup>19</sup> Notice, 82 FR at 10119.

<sup>20</sup> Id. at 10119. Future adjustments to the Margin Proxy could require the filing of a new proposed rule change.

to the proposal's design and transparency,<sup>21</sup> while the Ronin Letter also criticizes the proposal for a potential anti-competitive impact.<sup>22</sup> Additionally, both the Ronin Letter and ICBCFS Letter raise a concern that falls outside the scope of the Commission's review of the Proposed Rule Change.<sup>23</sup> The third comment letter is FICC's response to those concerns. The Commission has reviewed and taken into consideration each of the comments received and addresses the comments below insofar as they relate to the standard of review for a proposed rule change.

*A. Comments Regarding the Proposal's Design*

Ronin questions the justification for imposing the Margin Proxy, particularly: (i) the need for the VaR Charge to address idiosyncratic risk (referencing the 2016 U.S. presidential election), and (ii) if the volatility around the 2016 U.S. presidential election was sufficiently extreme to warrant the creation of the Margin Proxy.<sup>24</sup> In response, FICC reiterates that the Margin Proxy's primary goal is to achieve a 99 percent

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<sup>21</sup> See Ronin Letter at 1-10; ICBCFS Letter at 1-3.

<sup>22</sup> See Ronin Letter at 2, 9.

<sup>23</sup> See Ronin Letter at 3; ICBCFS Letter at 1-2. Specifically, Ronin and ICBCFS disapprove of FICC's request for an accelerated regulatory review process. FICC responds that it sought accelerated review to rectify deficiencies with its margin calculations as quickly as possible to avoid exposing its Netting Members to the risk that a defaulting Netting Member will not be sufficiently covered by margin. The Commission notes that neither Ronin nor ICBCFS suggest how this concern relates to the Proposed Rule Change's consistency with the Act – the standard by which the Commission must evaluate a proposed rule change. See 15 U.S.C. 78s(b)(2)(C). The Commission also notes, as a matter of fact, that neither the Proposed Rule Change nor the related Advance Notice were approved on an accelerated basis.

<sup>24</sup> Ronin Letter at 1, 6.

backtesting confidence level for all members.<sup>25</sup> FICC observes that, while recent dates from the fourth quarter of 2016 (including the 2016 U.S. Presidential election) indicate that the VaR Charge, on its own, is not always sufficient to ensure that the 99 percent coverage threshold is met,<sup>26</sup> inclusion of the Margin Proxy results in a backtesting confidence level above 99 percent for the past four years, demonstrating that the Margin Proxy accomplishes its primary goal.<sup>27</sup>

ICBCFS disagrees with certain technical aspects of the proposal. In particular, it: (i) questions the inclusion of ten years of pricing data in the proposed Margin Proxy calculation, including the 2007-2009 period; (ii) disagrees with the Margin Proxy's netting of both sides of a repurchase transaction; and (iii) raises concerns on how the proposed Margin Proxy groups securities in a Netting Member's Margin Portfolio in a way that could increase its margin.<sup>28</sup>

In response to the questions regarding the inclusion of ten years of pricing data, FICC states that using the proposed look-back period would help to ensure that the Margin Proxy, and as a result, the VaR Charge, does not either (i) decrease as quickly during intervals of low volatility, or (ii) increase as sharply in crisis periods, resulting in more stable VaR estimates that adequately reflect extreme market moves.<sup>29</sup> With respect to ICBCFS's concerns with offsetting positions in transaction, FICC notes that the

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<sup>25</sup> See FICC Letter at 4.

<sup>26</sup> See id. at 2.

<sup>27</sup> Id. at 4.

<sup>28</sup> ICBCFS Letter at 2.

<sup>29</sup> FICC Letter at 4.

Margin Proxy uses a similar approach for offsetting positions as in the Current Volatility Calculation.<sup>30</sup> In response to ICBCFS' concerns about increased margin due to the Margin Proxy's benchmarking, FICC responds that the circumstance that ICBCFS cited would not result in a higher margin, as the Margin Proxy would benchmark securities within the same asset class and maturity (and long and short positions within such benchmarks would be offset).<sup>31</sup>

*B. Comments Regarding the Proposal's Transparency*

Ronin and ICBCFS argue that the proposal is not sufficiently transparent because it does not include sufficient information for them to determine the proposal's impact on their margin calculations.<sup>32</sup> In response, FICC states that it (i) provided all GSD Netting Members with a two-month impact study reflecting the impact of the Margin Proxy on the VaR Charge and Coverage Charge (before and after the U.S. presidential election), and (ii) responded to individual Netting Member requests for additional data and information.<sup>33</sup> FICC also notes that it will continue to engage in ongoing dialogue with Netting Members in order to help Netting Members gauge the individual impact of the proposed margin methodology changes.<sup>34</sup>

*C. Comments Regarding the Proposal's Burden on Competition*

Finally, Ronin argues that the proposal imposes a burden on competition because

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<sup>30</sup> Id.

<sup>31</sup> Id.

<sup>32</sup> See Ronin Letter at 3; ICBCFS Letter at 1-3.

<sup>33</sup> FICC Letter at 2-3.

<sup>34</sup> Id. at 3-4.

it may cause Ronin to pay more margin. Ronin notes that the Margin Proxy creates an “unfair competitive burden” among Netting Members with different access to capital.<sup>35</sup> In response, FICC posits that, given the Netting Members’ different costs of capital, the Margin Proxy’s potential increase of additional margin could be anti-competitive.<sup>36</sup> However, FICC does not believe that the Margin Proxy would impose a significant burden on competition. Specifically, FICC notes that any increase in a Netting Member’s Required Fund Deposit would (i) be in direct relation to that Netting Member’s portfolio market risk, and (ii) be calculated with the same parameters and confidence level for all Netting Members.<sup>37</sup> Further, FICC states that any increase in a Netting Member’s Required Fund Deposit because of the Margin Proxy would be “necessary to assure the safeguarding of the securities and funds that are in FICC’s possession and cover FICC’s risk exposure to its [Netting] Members.”<sup>38</sup>

#### IV. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act<sup>39</sup> directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization.

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<sup>35</sup> Ronin Letter at 2.

<sup>36</sup> Id. at 9.

<sup>37</sup> FICC Letter at 5.

<sup>38</sup> Id. at 5.

<sup>39</sup> 15 U.S.C. 78s(b)(2)(C).

The Commission finds that the Proposed Rule Change described above is consistent with the Act, in particular Sections 17A(b)(3)(F) and (b)(3)(I) of the Act,<sup>40</sup> and Rules 17Ad-22(b)(1),<sup>41</sup> (b)(2),<sup>42</sup> and (d)(1)<sup>43</sup> under the Act.

Section 17A(b)(3)(F) of the Act requires that the rules of the clearing agency must 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.<sup>44</sup> As described above, the proposal would enhance the risk-based model and parameters that establish daily margin requirements for Netting Members by enabling FICC to better identify the risk posed by a Netting Member's unsettled portfolio and to increase FICC's collection of margin when the Margin Proxy calculation exceeds the Current Volatility Calculation. As such, the proposal would help ensure that the Required Fund Deposit that FICC collects from Netting Members is sufficient to mitigate FICC's credit exposure to potential losses arising from the default of a Netting Member. Therefore, the Commission believes that the proposed rule changes associated with the Margin Proxy and Coverage Charge would help safeguard securities and funds that are in the custody or control of FICC, consistent with Section 17A(b)(3)(F) of the Act.

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<sup>40</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>41</sup> 17 CFR 240.17Ad-22(b)(1).

<sup>42</sup> 17 CFR 240.17Ad-22(b)(2).

<sup>43</sup> 17 CFR 240.17Ad-22(d)(1).

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

Section 17A(b)(3)(F) of the Act also requires that the rules of a registered clearing agency promote the prompt and accurate clearance and settlement of securities transactions.<sup>45</sup> As described above, the proposal includes technical corrections to address typographical errors and capitalize terms so that existing defined terms are accurately referenced and used in the applicable rule provisions. As such, the proposal would help ensure that the GSD Rules remain accurate and clear, which would help to avoid potential interpretation differences and possible disputes between FICC and its Netting Members. Thus, Commission believes that the proposed rule changes associated with the technical corrections would promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.

Section 17A(b)(3)(I) of the Act requires that the rules of a registered clearing agency do not impose any burden on competition not necessary or appropriate in furtherance of the Act.<sup>46</sup> As stated above, the Proposed Rule Change could increase the amount of margin that FICC collects in certain circumstances, which would help ensure that the Required Fund Deposit that FICC collects from Netting Members is sufficient to mitigate the credit risk presented by the Netting Members. While Ronin argues that such an increase in its margin may be anticompetitive (because Netting Members have different costs of capital),<sup>47</sup> the Commission believes that the potential increase in a Netting Member's Required Fund Deposit as a result of this proposal would be necessary

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<sup>45</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>46</sup> 15 U.S.C. 78q-1(b)(3)(I).

<sup>47</sup> Ronin Letter at 9.

and appropriate in furtherance of the Act because it would be (i) commensurate with that Netting Member's risk profile, (ii) calculated using the same parameters for all Netting Members, and (iii) designed to ensure that FICC has sufficient margin to limit its exposure to potential losses resulting from the default of a Netting Member. Thus, Commission believes that the proposed rule change would not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act, consistent with Section 17A(b)(3)(I) of the Act.

Rule 17Ad-22(b)(1) under the Act requires a registered clearing agency that performs central counterparty services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to measure its credit exposures to its participants at least once a day and limit its exposures to potential losses from defaults by its participants under normal market conditions so that the operations of the clearing agency would not be disrupted and non-defaulting participants would not be exposed to losses that they cannot anticipate or control.<sup>48</sup> The proposed Margin Proxy would be used daily to help measure FICC's credit exposure to Netting Members. While ICBCFS raises concerns about including the 2007-2009 period, as noted above, the Commission agrees that this look back period should help FICC better monitor the credit exposures presented by its Netting Members by including volatile periods. It should also enhance FICC's overall risk-based margining framework by helping to ensure that the calculation of each GSD Netting Member's Required Fund Deposit would be sufficient to allow FICC to use the defaulting member's own Required Fund Deposit to limit its exposures to potential losses associated with the liquidation of such member's portfolio in the event

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<sup>48</sup> 17 CFR 240.17Ad-22(b)(1).

of a GSD Netting Member default under normal market conditions. Therefore, the Commission believes that the proposal is consistent with the requirements of Rule 17Ad-22(b)(1).<sup>49</sup>

Rule 17Ad-22(b)(2) under the Act requires a registered clearing agency that performs central counterparty services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to use margin requirements to limit its credit exposures to participants under normal market conditions and use risk-based models and parameters to set margin requirements and review such margin requirements and the related risk-based models and parameters at least monthly.<sup>50</sup> The proposed changes would enhance the risk-based model and parameters that establish daily margin requirements for Netting Members by enabling FICC to better identify the risk posed by a Netting Member's unsettled portfolio and to quickly adjust and collect additional deposits as needed to cover those risks. Because the proposed changes are designed to calculate each Netting Member's Required Fund Deposit at a 99 percent confidence level, the proposal also should help mitigate losses to FICC and its members, in the event that such Netting Member defaults under normal market conditions. Therefore, the Commission believes that the proposal is consistent with the requirements of Rule 17Ad-22(b)(2).<sup>51</sup>

Rule 17Ad-22(d)(1) under the Act requires a registered clearing agency to establish, implement, maintain and enforce written policies and procedures reasonably designed to, among other things, provide for a well-founded, transparent, and enforceable

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<sup>49</sup> Id.

<sup>50</sup> 17 CFR 240.17Ad-22(b)(2).

<sup>51</sup> Id.

legal framework for each aspect of its activities in all relevant jurisdictions.<sup>52</sup> While Ronin and ICBCFS argue that the proposal is not sufficiently transparent because it does not include sufficient information for them to determine the proposal's impact on their margin calculations,<sup>53</sup> the Commission understands that FICC has provided Netting Members with information to allow them to understand the impact of the Margin Proxy on their VaR Charge and Coverage Charge, and that FICC responded to individual Netting Member requests for additional data and information.<sup>54</sup> Moreover, the Commission understands that FICC will continue to engage in ongoing dialogue with Netting Members in order to help Netting Members gauge the individual impact of the proposed margin methodology changes.<sup>55</sup> Therefore, the Commission believes that the proposal is reasonably designed to provide for a well-founded, transparent, and enforceable legal framework, consistent with Rule 17Ad-22(d)(1).<sup>56</sup>

#### V. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act and the rules and regulations thereunder.

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<sup>52</sup> 17 CFR 240.17Ad-22(d)(1).

<sup>53</sup> See Ronin Letter at 3; ICBCFS Letter at 1-3.

<sup>54</sup> See FICC Letter at 2-3.

<sup>55</sup> See id. at 3-4.

<sup>56</sup> 17 CFR 240.17Ad-22(d)(1).

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>57</sup> that proposed rule change SR-FICC-2017-001 be, and it hereby is, APPROVED as of the date of this order or the date of a notice by the Commission authorizing FICC to implement FICC's advance notice proposal SR-FICC-2017-801 that is consistent with this proposed rule change, whichever is later.<sup>58</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>59</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>57</sup> 15 U.S.C. 78s(b)(2).

<sup>58</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>59</sup> 17 CFR 200.30-3(a)(12).