

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- 81638; File No. SR-FICC-2017-002)

September 15, 2017

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Designation of Longer Period for Commission Action on Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change to Implement the Capped Contingency Liquidity Facility in the Government Securities Division Rulebook

On March 1, 2017, Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change SR-FICC-2017-002 (“Proposed Rule Change”) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² to implement a Capped Contingency Liquidity Facility in FICC’s Government Securities Division Rulebook.³ The Proposed Rule Change was published for comment in the Federal Register on March 20, 2017.⁴ The Commission received five comment letters⁵ to the Proposed Rule Change, including a response letter from FICC. On May

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ FICC also filed the Proposed Rule Change as advance notice SR-FICC-2017-802 (“Advance Notice”) pursuant to Section 806(e)(1) of the Payment, Clearing, and Settlement Supervision Act of 2010, 12 U.S.C. 5465(e)(1), and Rule 19b-4(n)(1)(i) under the Act, 17 CFR 240.19b-4(n)(1)(i). Notice of filing of the Advance Notice was published for comment in the Federal Register on March 15, 2017. Securities Exchange Act Release No. 80191 (March 9, 2017), 82 FR 13876 (March 15, 2017) (SR-FICC-2017-802). The Commission extended the deadline for its review period of the Advance Notice from April 30, 2017 to June 29, 2017. Securities Exchange Act Release No. 80520 (April 25, 2017), 82 FR 20404 (May 1, 2017) (SR-FICC-2017-802). The Commission issued a notice of no objection to the Advance Notice on June 29, 2017. Securities Exchange Act Release No. 81054 (June 29, 2017), 82 FR 31356 (July 6, 2017). The proposal in the Proposed Rule Change and the Advance Notice shall not take effect until all regulatory actions required with respect to the proposal are completed.

⁴ Securities Exchange Act Release No. 80234 (March 14, 2017), 82 FR 14401 (March 20, 2017) (SR-FICC-2017-002).

⁵ See letter from Robert E. Pooler Jr., Chief Financial Officer, Ronin Capital LLC (“Ronin”), dated April 10, 2017, to Robert W. Errett, Deputy Secretary, Commission;

30, 2017, the Commission instituted proceedings under Section 19(b)(2)(B)(i) of the Act⁶ to determine whether to approve or disapprove the Proposed Rule Change.⁷

Section 19(b)(2)(B)(ii) of the Act provides that, after initiating proceedings, the Commission shall issue an order approving or disapproving the proposed rule change not later than 180 days after the date of publication of notice of filing of the proposed rule change.⁸ The Commission may, however, extend the period for issuing an order approving or disapproving the proposed rule change by not more than 60 days if the Commission determines that a longer period is appropriate and publishes the reasons for such determination.⁹

The 180th day after publication of the notice for the Proposed Rule Change in the Federal Register is September 16, 2017. The Commission finds it appropriate to designate a longer period within which to issue an order approving or disapproving the Proposed Rule Change so

letter from Alan B. Levy, Managing Director, Industrial and Commercial Bank of China Financial Services LLC (“ICBC”), Philip Vandermause, Director, Aardvark Securities LLC (“Aardvark”), David Rutter, Chief Executive Officer, LiquidityEdge LLC, Robert Pooler, Chief Financial Officer, Ronin, Jason Manumaleuna, Chief Financial Officer and EVP, Rosenthal Collins Group LLC, and Scott Skyrms, Managing Director, Wedbush Securities Inc. (“Wedbush”); letter from Timothy J. Cuddihy, Managing Director, FICC, dated April 25, 2017, to Robert W. Errett, Deputy Secretary, Commission; letter from Robert E. Pooler Jr., Chief Financial Officer, Ronin, dated June 19, 2017, to Robert W. Errett, Deputy Secretary, Commission; and letter from Alan B. Levy, Managing Director, ICBC, Philip Vandermause, Director, Aardvark, Robert Pooler, Chief Financial Officer, Ronin, and Scott Skyrms, Managing Director, Wedbush, dated June 27, 2017, to Robert W. Errett, Deputy Secretary, Commission, available at <https://www.sec.gov/comments/sr-ficc-2017-002/ficc2017002.htm>.

⁶ 15 U.S.C. 78s(b)(2)(B)(i).

⁷ See Securities Exchange Act Release No. 80812 (May 30, 2017), 82 FR 25642 (June 2, 2017) (SR-FICC-2017-002).

⁸ 15 U.S.C. 78s(b)(2)(B)(ii).

⁹ Id.

that it has sufficient time to consider the Proposed Rule Change and the comments received. Accordingly, the Commission, pursuant to Section 19(b)(2)(B)(ii) of the Act,¹⁰ designates November 15, 2017 as the date by which the Commission shall either approve or disapprove the Proposed Rule Change.

The Commission also seeks additional comment to help further inform its analysis of the Proposed Rule Change. Specifically, the Commission invites interested persons to provide views, data, and arguments concerning the Proposed Rule Change, including whether the Proposed Rule Change is consistent with the Act and the applicable rules or regulations thereunder. Please note that comments previously received on the substance of the Proposed Rule Change will be considered together with comments submitted in response to this notice. Therefore, while commenters are free to submit additional comments at this time, they need not re-submit earlier comments. In addition, the Commission seeks comment on the following:

1. The Proposed Rule Change would require each Netting Member to attest that its Individual Total Amount has been incorporated into its liquidity plans (“Attestation Requirement”).¹¹ The Commission requests comment on the means by which the various types of Netting Members anticipate complying with the Proposed Rule Change, including the Attestation Requirement, and the expected cost (monetary or otherwise) of such compliance. To the extent possible, please provide specific data, analyses, or studies for support.
2. The Proposed Rule Change would require FICC to provide each Netting Member with a daily “liquidity funding report” to help the Netting Member monitor and

¹⁰ Id.

¹¹ See Securities Exchange Act Release No. 80234 (March 14, 2017), 82 FR 14401 (March 20, 2017) (SR-FICC-2017-002).

manage the liquidity risk it presents to FICC. The Commission requests comment on the value of such daily reporting to Netting Members and the extent to which and, if so, how Netting Members anticipate adjusting their trading behavior or otherwise managing the liquidity risk they present to FICC, whether in reliance on the daily liquidity funding report or otherwise. Please explain and, to the extent possible, provide specific data, analyses, or studies on potential changes to trading behavior or other adjustments to manage liquidity obligations to FICC for support.

- a. If such adjustments would include changes in market participation, participation in certain market segments, or the quantity or price of services offered to clients, please provide information of such changes, in addition to any supporting data, analyses, or studies.
- b. If such adjustments would include deciding to clear repo transactions bilaterally, instead of centrally through FICC, please provide the rationale and factors considered in making that decision, in addition to any supporting data, analyses, or studies.

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-2017-002 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-2017-002. 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 DTCC's website (<http://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-2017-002 and should be submitted on or before [insert date 15 days from date of publication in the Federal Register]. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal on or before [insert date 21 days from date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

Eduardo Aleman
Assistant Secretary

¹² 17 CFR 200.30-3(a)(57).