

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-80484; File No. SR-FICC-2017-011)

April 19, 2017

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Establish Effective Date of Government Securities Division Margin Proxy Rule Changes

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> notice is hereby given that on April 13, 2017, Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. 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”) Rulebook (“GSD Rules”)<sup>3</sup> of FICC in order to establish April 24, 2017

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such terms in the GSD Rules, available at [www.dtcc.com/~media/Files/Downloads/legal/rules/ficc\\_gov\\_rules.pdf](http://www.dtcc.com/~media/Files/Downloads/legal/rules/ficc_gov_rules.pdf).

as the effective date of rule changes submitted pursuant to rule filing SR-FICC-2017-001 (“Rule Filing”)<sup>4</sup> and advance notice SR-FICC-2017-801 (“Advance Notice”).<sup>5</sup>

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

On March 30, 2017, the Commission issued an order approving the Rule Filing,<sup>6</sup> which was filed by FICC pursuant to Section 19(b)(2) of the Act.<sup>7</sup> The Commission also issued a notice of no objection to the Advance Notice,<sup>8</sup> which was filed with the Commission pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street

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<sup>4</sup> See Securities Exchange Act Release No. 79958 (February 3, 2017), 82 FR 10117 (February 9, 2017) (SR-FICC-2017-001).

<sup>5</sup> See Securities Exchange Act Release No. 80139 (March 2, 2017), 82 FR 13026 (March 8, 2017) (SR-FICC-2017-801).

<sup>6</sup> See Securities Exchange Act Release No. 80349 (March 30, 2017), 82 FR 16638 (April 5, 2017) (SR-FICC-2017-001).

<sup>7</sup> 15 U.S.C. 78s(b)(2).

<sup>8</sup> See Securities Exchange Act Release No. 80341 (March 30, 2017), 82 FR 16644 (April 5, 2017) (SR-FICC-2017-801).

Reform and Consumer Protection Act entitled the Payment, Clearing, and Settlement Supervision Act of 2010<sup>9</sup> and Rule 19b-4(n)(1)(i) of the Act.<sup>10</sup>

The purpose of the Rule Filing and the Advance Notice is to amend the GSD Rules to (i) include a minimum volatility calculation (referred to as the “Margin Proxy”) when determining a GSD Netting Member’s VaR Charge, (ii) modify the calculation of GSD’s Coverage Charge in circumstances where the Margin Proxy applies and (iii) make certain technical corrections.

FICC is filing this proposed rule change to establish April 24, 2017 as the effective date of rule changes submitted pursuant to the Rule Filing and the Advance Notice. Specifically, FICC would add a legend to both GSD Rule 1 and GSD Rule 4 to state that the rule changes submitted pursuant to the Rule Filing and the Advance Notice have been approved and not objected to, respectively, but are not yet effective. The legend would provide April 24, 2017 as the date on which these rule changes would become effective, and would include the file numbers of the Rule Filing and the Advance Notice. The legend would state that bold and underlined text indicates added language, and that bold and strikethrough text indicates deleted language. The legend would also state that, once effective, the legend would automatically be removed from the GSD Rules and the formatting of the rule changes would automatically be revised accordingly.

## 2. Statutory Basis

Section 17A(b)(3)(F) of the Act requires, in part, that the GSD Rules be designed to (i) promote the prompt and accurate clearance and settlement of securities transactions

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<sup>9</sup> 12 U.S.C. 5465(e)(1).

<sup>10</sup> 17 CFR 240.19b-4(n)(1)(i).

and (ii) remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, and, in general, to protect investors and the public interest.<sup>11</sup> The proposed rule change would establish the effective date of rule changes described above and provide GSD Members with an understanding of when these rule changes will begin to affect them. Knowing when the rule changes will begin to affect GSD Members would enable them to timely fulfill their obligations to FICC, which would in turn ensure FICC's processes work as intended. Therefore, FICC believes that the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions as well as remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act cited above.

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

FICC does not believe that the proposed rule change to establish an effective date for the rule changes described above would have any impact, or impose any burden, on competition because the proposed rule change is intended to provide additional clarity in the GSD Rules with respect to when these rule changes would become effective for GSD Members. As such, the proposed rule change would not impact a particular category of GSD Members nor would it impact particular types of businesses that GSD Members are engaged in.

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<sup>11</sup> 15 U.S.C. 78q-1(b)(3)(F).

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

FICC has not received or solicited any written comments relating to this proposal.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and paragraph (f) of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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](mailto:rule-comments@sec.gov). Please include File Number SR-FICC-2017-011 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-FICC-2017-011. 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 the filing 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-2017-011 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.<sup>12</sup>

Eduardo A. Aleman  
Assistant Secretary

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