

Required fields are shown with yellow backgrounds and asterisks.

Filing by Fixed Income Clearing Corporation
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
Date Expires * <input type="text"/>			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Correct Certain References and Provide Transparency to Existing Processes in the Mortgage-Backed Securities Division Electronic Pool Notification Rules

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Donaldine	Last Name * Temple
Title * Executive Director and Associate General Counsel	
E-mail * dtemple@dtcc.com	
Telephone * (212) 855-3277	Fax <input type="text"/>

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 07/13/2018	Executive Director and Associate General Counsel
By Donaldine B. Temple	<input type="text"/>
(Name *)	

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

Add Remove View

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

Add Remove View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Fixed Income Clearing Corporation (“FICC”) is filing this proposed rule change in order to amend the FICC Mortgage-Backed Securities Division (“MBSD”) electronic pool notification (“EPN”) Rules (the “EPN Rules”)¹ as described below and provided for in Exhibit 5 to this proposed rule change.

FICC is proposing to correct the EPN Rules by amending several references in the section of the EPN Rules entitled “*FICC Mortgage-Backed Securities Division (“MBSD”) EPN Schedule of Charges.*” Specifically, FICC is proposing to replace the references to “FICC” with “the Corporation.” FICC is proposing this change because “FICC” is not a term that is defined in the EPN Rules. In addition, FICC is proposing to replace the reference to “The Depository Trust Corporation” with “The Depository Trust & Clearing Corporation.” FICC is proposing this change because the reference to “The Depository Trust Corporation” is an error.

FICC is also proposing to amend *Article III (EPN Users)* of the EPN Rules to set forth MBSD’s existing practices. Specifically, FICC is proposing to include an EPN User’s ongoing obligation to notify FICC if such EPN User no longer complies with the requirements for admission to membership in the EPN Rules (i.e., as set forth in Secs. 2 (Approval of Applicants) and 3 (Agreements of EPN Users) of EPN Rule 1 (Requirements Applicable to EPN Users) of *Article III (EPN Users)*). In addition, FICC is proposing to amend *Article III (EPN Users)* to define specific circumstances where FICC would undertake action to determine the status of an EPN User and its continued access to the EPN system. The proposed change would also state that FICC may request that an EPN User provide written assurances if FICC believes such EPN User may fail to comply with the EPN Rules. The proposed changes to *Article III (EPN Users)* would necessitate a new defined term in *Article I (Definitions and General Provisions)* of the EPN Rules.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Risk Committee of FICC’s Board of Directors on December 19, 2017.

¹ Terms not defined herein are defined in the EPN Rules, [available at \[http://www.dtcc.com/~media/Files/Downloads/legal/rules/ficc_mbsd_epnrules.pdf\]\(http://www.dtcc.com/~media/Files/Downloads/legal/rules/ficc_mbsd_epnrules.pdf\)](http://www.dtcc.com/~media/Files/Downloads/legal/rules/ficc_mbsd_epnrules.pdf).

3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

FICC is proposing to correct the EPN Rules by amending several references in the section of the EPN Rules entitled “*FICC Mortgage-Backed Securities Division (“MBSD”) EPN Schedule of Charges.*” Specifically, FICC is proposing to replace the references to “FICC” with “the Corporation.” FICC is proposing this change because “FICC” is not a term that is defined in the EPN Rules. In addition, FICC is proposing to replace the reference to “The Depository Trust Corporation” with “The Depository Trust & Clearing Corporation.” FICC is proposing this change because the reference to “The Depository Trust Corporation” is an error.

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The proposed changes are described below.

1. MBSD’s EPN Service

MBSD’s electronic pool notification service (referred to in the EPN Rules as the “EPN Service”) enables users to reduce risk and streamline their operations by providing an automated manner for market participants that have an obligation to deliver pools (“pool sellers”) to transmit pool information efficiently and reliably to their counterparties (“pool buyers”) in real time. Market participants that wish to utilize the EPN Service are required to submit an application to MBSD. The application process and the use of the EPN Service are governed by the EPN Rules.² MBSD’s Clearing Members are required to be EPN Users; however, one can be an EPN User and not a Clearing Member.³

² See EPN Rules Article III (EPN Users), EPN Rule 1 (Requirements Applicable to EPN Users), supra note 1.

³ MBSD maintains two sets of rulebooks. The EPN Rules govern MBSD’s EPN Service and the MBSD Clearing Rules (the “MBSD Rules”) govern MBSD’s clearance and settlement service. The MBSD Rules are available at http://www.dtcc.com/~media/Files/Downloads/legal/rules/ficc_mbsd_rules.pdf.

2. Proposed Changes to Make Corrections to the EPN Rules

FICC is proposing to correct several references in the EPN Rules because the proposed changes would help to ensure that the EPN Rules are clear and accurate. Specifically, FICC is proposing to correct the section entitled “*FICC Mortgage-Backed Securities Division (“MBSD”) EPN Schedule of Charges*” in order to replace the references to “FICC” with “the Corporation.” FICC is proposing this change because “FICC” is not a term that is defined in the EPN Rules. In addition, FICC is also proposing to replace the reference to “The Depository Trust Corporation” with “The Depository Trust & Clearing Corporation.” FICC is proposing this change because the reference to “The Depository Trust Corporation” is an error.

3. Proposed Changes to Amend the EPN Rules to Include an EPN User’s Ongoing Reporting Obligations

FICC’s existing practice is to require EPN Users to report certain information to FICC. In addition, if FICC learns of information that leads FICC to believe an EPN User is not in compliance with the EPN Rules, FICC will assess whether such EPN User is in compliance with the EPN Rules and may request that an EPN User provide written assurances that such EPN User will not violate the EPN Rules. FICC is proposing to amend the EPN Rules to reflect these practices.

First, FICC is proposing to amend EPN Rule 1 (Requirements Applicable to EPN Users) of *Article III (EPN Users)* to include a provision that would be numbered “Sec. 8. General Continuance Standards.” This section would state that an EPN User shall promptly inform FICC, both orally and in writing, if such EPN User no longer complies with any of the requirements for admission to membership set forth in the EPN Rules (i.e., as set forth in Secs. 2 (Approval of Applicants) and 3 (Agreements of EPN Users) of EPN Rule 1 (Requirements Applicable to EPN Users) of *Article III (EPN Users)*). The referenced notification must take place within two Business Days from the date on which the EPN User first learns of its non-compliance.

Next, FICC is proposing to amend the EPN Rules to have the new “General Continuance Standards” state that an EPN User shall notify FICC within two Business Days of learning of an investigation or proceeding to which it is, or is becoming, subject that would cause the EPN User to fall out of compliance with any of the requirements for membership set forth in the EPN Rules (i.e., as set forth in Secs. 2 (Approval of Applicants) and 3 (Agreements of EPN Users) of EPN Rule 1 (Requirements Applicable to EPN Users) of *Article III (EPN Users)*). However, the EPN User would not be required to notify FICC if doing so would cause the EPN User to violate an applicable law, rule, or regulation.

4. Proposed Changes to Amend the EPN Rules to Define Circumstances Under which FICC May Determine an EPN User’s Compliance with the EPN Rules

FICC is also proposing that the new “General Continuance Standards” state that FICC would undertake action to determine the status of an EPN User and its continued access to the EPN system if:

- (a) an EPN User fails to maintain the requirements for admission to membership, including but not limited to operational testing and related reporting requirements imposed by FICC from time to time;
- (b) an EPN User violates any EPN Rule or other agreement with FICC;
- (c) an EPN User fails to satisfy in a timely manner any obligation to FICC;
- (d) there is a Reportable Event (as defined below); or
- (e) FICC otherwise deems it necessary or advisable, in order to protect FICC, its other EPN Users, or its creditors or investors, to safeguard securities and funds in the custody or control of FICC, or to promote the prompt and accurate processing, clearance or settlement of securities transactions.

In connection with clause (d) above, FICC proposes to define a reportable event (“Reportable Event”) in EPN Rule 1 (Definitions) of *Article I (Definitions and General Provisions)* as an event that would effect a change in control of an EPN User or could have a substantial impact on such EPN User’s business and/or financial condition, including, but not limited to: (i) material organizational changes including mergers, acquisitions, changes in corporate form, name changes, changes in the ownership of an EPN User or its affiliates, and material changes in management, and (ii) status as a defendant in litigation, which could reasonably impact the EPN User’s financial condition or ability to conduct business. The proposed “General Continuance Standards” section would also require an EPN User to submit written notice to FICC of a Reportable Event at least 90 calendar days prior to the effective date of such Reportable Event unless the EPN User demonstrates that it could not have reasonably done so, and provided notice, both orally and in writing, to FICC as soon as possible.

Additionally, FICC is proposing that the proposed “General Continuance Standards” section state that, if FICC has reason to believe that an EPN User may fail to comply with any of the EPN Rules, FICC may require the EPN User to provide written assurances. Specifically, FICC may require such assurances, within such timeframe, in such detail, and pursuant to such manner as FICC shall determine, in writing of a credible nature that the EPN User shall not, in fact, violate any of the EPN Rules. These assurances could include, but would not be limited to, notarized statements, affidavits and/or officers’ certificates.

In order to accommodate the proposed “General Continuance Standards” section as described in this subsection 4 and in subsection 3 above, FICC is proposing to change the numbering of the existing “Confidentiality” provision in EPN Rule 1 (Requirements Applicable to EPN Users) of *Article III (EPN Users)* from “Sec. 8” to “Sec. 9.”

(b) Statutory Basis

Section 17A(b)(3)(F) of the Securities Exchange Act of 1934, as amended (“Act”) requires, in part, that the EPN Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions.⁴

The proposed change to correct references in the section of the EPN Rules entitled “*FICC Mortgage-Backed Securities Division (“MBSD”) EPN Schedule of Charges*” (as described above in subsection 2 of Item 3(a)) would help to ensure that the EPN Rules are accurate and clear to EPN Users. As such, FICC believes that the proposed change would allow EPN Users to have a better understanding of the EPN Rules and thereby assist in promoting the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.⁵

The proposed changes to (i) include an EPN User’s ongoing obligation to notify FICC if such EPN User no longer complies with the requirements for admission to membership as set forth in the EPN Rules (as described above in subsection 3 of Item 3(a)), (ii) define specific circumstances where FICC would undertake action to determine the status of an EPN User and its continued access to the EPN system (as described above in subsection 4 of Item 3(a)), and (iii) state that FICC may request that an EPN User provide written assurances if FICC believes such EPN User may fail to comply with the EPN Rules (as described above in subsection 4 of Item 3(a)) would provide clarity to EPN Users by setting forth in the EPN Rules FICC’s existing practice. FICC believes this clarity would help to ensure that EPN Users are fully aware of their rights and obligations. The proposed changes would also help to ensure that FICC is promptly made aware in the event that an EPN User’s access to the EPN Service should be reassessed due to an EPN User’s possible violation of the EPN Rules. Because the proposed rule changes are designed to help ensure that EPN Users remain compliant with the EPN Rules, FICC believes that the proposed changes would help FICC protect the EPN Service. As the EPN Service is an important aspect of MBSD’s clearance and settlement services, these proposed changes would promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.⁶

Rule 17Ad-22(e)(18) under the Act requires, in part, that FICC establish, implement, maintain and enforce written policies and procedures reasonably designed to monitor compliance

⁴ 15 U.S.C. 78q-1(b)(3)(F).

⁵ Id.

⁶ Id.

with participation requirements on an ongoing basis.⁷ As described above, the proposed rule changes to amend the EPN Rules to (i) include an EPN User's ongoing reporting obligations (as described above in subsection 3 of Item 3(a)) and (ii) define circumstances under which FICC may determine an EPN User's compliance with the EPN Rules (as described above in subsection 4 of Item 3(a)) would help to ensure that FICC is promptly made aware in the event that an EPN User's access to the EPN Service should be reassessed due to an EPN User's possible violation of EPN Rules. Because the proposed changes give FICC the ability to monitor an EPN User's compliance with the EPN Rules, FICC believes the proposed changes to (i) include an EPN User's ongoing reporting obligations and (ii) define circumstances under which FICC may determine an EPN User's compliance with the EPN Rules are consistent with Rule 17Ad-22(e)(18).⁸

Rule 17Ad-22(e)(23)(i) under the Act requires, in part, that FICC establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for publicly disclosing all relevant rules and material procedures.⁹ As described above, the proposed rule changes to amend the EPN Rules to (i) make corrections (as described above in subsection 2 of Item 3(a)), (ii) include an EPN User's ongoing reporting obligations (as described above in subsection 3 of Item 3(a)), and (iii) define circumstances under which FICC may determine an EPN User's compliance with the EPN Rules (as described above in subsection 4 of Item 3(a)) would better publicly disclose all relevant and material procedures regarding the EPN Service. Therefore, FICC believes the proposed changes to correct and codify FICC's existing practices in the EPN Rules are consistent with Rule 17Ad-22(e)(23)(i).¹⁰

4. Self-Regulatory Organization's Statement on Burden on Competition

FICC does not believe that the proposed changes to correct references in the section of the EPN Rules entitled "*FICC Mortgage-Backed Securities Division ("MBSD") EPN Schedule of Charges*" (as described above in subsection 2 of Item 3(a)) would impact competition because the proposed changes correct errors in the EPN Rules and do not affect FICC's operations or the rights and obligations of EPN Users.

FICC does not believe that the proposed changes to (i) include an EPN User's ongoing obligation to notify FICC if such EPN User no longer complies with the requirements for admission to membership in the EPN Rules (as described above in subsection 3 of Item 3(a)), (ii) define specific circumstances where FICC would undertake action to determine the status of an EPN User and its continued access to the EPN system (as described above in subsection 4 of Item 3(a)), and (iii) state that FICC may request that an EPN User provide written assurances if FICC believes such EPN User may fail to comply with the EPN Rules (as described above in

⁷ 17 CFR 240.17Ad-22(e)(18).

⁸ Id.

⁹ 17 CFR 240.17Ad-22(e)(23)(i).

¹⁰ Id.

subsection 4 of Item 3(a)) would impact competition because the proposed changes would codify FICC's existing practices in the EPN Rules. The proposed changes would apply equally to all EPN Users and would not affect FICC's operations. As a result, FICC believes the proposed rule change would not have any impact on competition.

5. Self-Regulatory Organization'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.

6. Extension of Time Period for Commission Action

FICC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notice Filed Pursuant to Section 806(e) of the Payment, Clearing, and Settlement Supervision Act of 2010

Not applicable.

11. Exhibits

Exhibit 1 – Not applicable.

Exhibit 1A - Notice of proposed rule change for publication in the Federal Register.

Exhibit 2 – Not applicable.

Exhibit 3 – Not applicable.

Exhibit 4 – Not applicable.

Exhibit 5 – Proposed changes to the EPN Rules.

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[_____]; File No. SR-FICC-2018-005)

[DATE]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change to Correct Certain References and Provide Transparency to Existing Processes in the Mortgage-Backed Securities Division Electronic Pool Notification Rules

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 July __, 2018, 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 FICC Mortgage-Backed Securities Division (“MBSD”) electronic pool notification (“EPN”) Rules (the “EPN Rules”)³ as described below.

FICC is proposing to correct the EPN Rules by amending several references in the section of the EPN Rules entitled “*FICC Mortgage-Backed Securities Division (“MBSD”) EPN Schedule of Charges.*” Specifically, FICC is proposing to replace the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Terms not defined herein are defined in the EPN Rules, available at http://www.dtcc.com/~media/Files/Downloads/legal/rules/ficc_mbsd_epnrules.pdf.

references to “FICC” with “the Corporation.” FICC is proposing this change because “FICC” is not a term that is defined in the EPN Rules. In addition, FICC is proposing to replace the reference to “The Depository Trust Corporation” with “The Depository Trust & Clearing Corporation.” FICC is proposing this change because the reference to “The Depository Trust Corporation” is an error.

FICC is also proposing to amend *Article III (EPN Users)* of the EPN Rules to set forth MBSD’s existing practices. Specifically, FICC is proposing to include an EPN User’s ongoing obligation to notify FICC if such EPN User no longer complies with the requirements for admission to membership in the EPN Rules (i.e., as set forth in Secs. 2 (Approval of Applicants) and 3 (Agreements of EPN Users) of EPN Rule 1 (Requirements Applicable to EPN Users) of *Article III (EPN Users)*). In addition, FICC is proposing to amend *Article III (EPN Users)* to define specific circumstances where FICC would undertake action to determine the status of an EPN User and its continued access to the EPN system. The proposed change would also state that FICC may request that an EPN User provide written assurances if FICC believes such EPN User may fail to comply with the EPN Rules. The proposed changes to *Article III (EPN Users)* would necessitate a new defined term in *Article I (Definitions and General Provisions)* of the EPN 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

FICC is proposing to correct the EPN Rules by amending several references in the section of the EPN Rules entitled "*FICC Mortgage-Backed Securities Division ("MBSD") EPN Schedule of Charges.*" Specifically, FICC is proposing to replace the references to "FICC" with "the Corporation." FICC is proposing this change because "FICC" is not a term that is defined in the EPN Rules. In addition, FICC is proposing to replace the reference to "The Depository Trust Corporation" with "The Depository Trust & Clearing Corporation." FICC is proposing this change because the reference to "The Depository Trust Corporation" is an error.

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necessitate a new defined term in *Article I (Definitions and General Provisions)* of the EPN Rules.

The proposed changes are described below.

1. MBSD's EPN Service

MBSD's electronic pool notification service (referred to in the EPN Rules as the "EPN Service") enables users to reduce risk and streamline their operations by providing an automated manner for market participants that have an obligation to deliver pools ("pool sellers") to transmit pool information efficiently and reliably to their counterparties ("pool buyers") in real time. Market participants that wish to utilize the EPN Service are required to submit an application to MBSD. The application process and the use of the EPN Service are governed by the EPN Rules.⁴ MBSD's Clearing Members are required to be EPN Users; however, one can be an EPN User and not a Clearing Member.⁵

2. Proposed Changes to Make Corrections to the EPN Rules

FICC is proposing to correct several references in the EPN Rules because the proposed changes would help to ensure that the EPN Rules are clear and accurate. Specifically, FICC is proposing to correct the section entitled "*FICC Mortgage-Backed Securities Division ("MBSD") EPN Schedule of Charges*" in order to replace the

⁴ See EPN Rules Article III (EPN Users), EPN Rule 1 (Requirements Applicable to EPN Users), *supra* note 3.

⁵ MBSD maintains two sets of rulebooks. The EPN Rules govern MBSD's EPN Service and the MBSD Clearing Rules (the "MBSD Rules") govern MBSD's clearance and settlement service. The MBSD Rules are available at http://www.dtcc.com/~media/Files/Downloads/legal/rules/ficc_mbsd_rules.pdf. Pursuant to the MBSD Rules, the term "Clearing Member" means any entity admitted into membership pursuant to MBSD Rule 2A. See MBSD Rule 1, Definitions.

references to “FICC” with “the Corporation.” FICC is proposing this change because “FICC” is not a term that is defined in the EPN Rules. In addition, FICC is also proposing to replace the reference to “The Depository Trust Corporation” with “The Depository Trust & Clearing Corporation.” FICC is proposing this change because the reference to “The Depository Trust Corporation” is an error.

3. Proposed Changes to Amend the EPN Rules to Include an EPN User’s Ongoing Reporting Obligations

FICC’s existing practice is to require EPN Users to report certain information to FICC. In addition, if FICC learns of information that leads FICC to believe an EPN User is not in compliance with the EPN Rules, FICC will assess whether such EPN User is in compliance with the EPN Rules and may request that an EPN User provide written assurances that such EPN User will not violate the EPN Rules. FICC is proposing to amend the EPN Rules to reflect these practices.

First, FICC is proposing to amend EPN Rule 1 (Requirements Applicable to EPN Users) of *Article III (EPN Users)* to include a provision that would be numbered “Sec. 8. General Continuance Standards.” This section would state that an EPN User shall promptly inform FICC, both orally and in writing, if such EPN User no longer complies with any of the requirements for admission to membership set forth in the EPN Rules (i.e., as set forth in Secs. 2 (Approval of Applicants) and 3 (Agreements of EPN Users) of EPN Rule 1 (Requirements Applicable to EPN Users) of *Article III (EPN Users)*). The referenced notification must take place within two Business Days from the date on which the EPN User first learns of its non-compliance.

Next, FICC is proposing to amend the EPN Rules to have the new “General Continuance Standards” state that an EPN User shall notify FICC within two Business

Days of learning of an investigation or proceeding to which it is, or is becoming, subject that would cause the EPN User to fall out of compliance with any of the requirements for membership set forth in the EPN Rules (i.e., as set forth in Secs. 2 (Approval of Applicants) and 3 (Agreements of EPN Users) of EPN Rule 1 (Requirements Applicable to EPN Users) of *Article III (EPN Users)*). However, the EPN User would not be required to notify FICC if doing so would cause the EPN User to violate an applicable law, rule, or regulation.

4. Proposed Changes to Amend the EPN Rules to Define Circumstances Under which FICC May Determine an EPN User’s Compliance with the EPN Rules

FICC is also proposing that the new “General Continuance Standards” state that FICC would undertake action to determine the status of an EPN User and its continued access to the EPN system if:

- (a) an EPN User fails to maintain the requirements for admission to membership, including but not limited to operational testing and related reporting requirements imposed by FICC from time to time;
- (b) an EPN User violates any EPN Rule or other agreement with FICC;
- (c) an EPN User fails to satisfy in a timely manner any obligation to FICC;
- (d) there is a Reportable Event (as defined below); or
- (e) FICC otherwise deems it necessary or advisable, in order to protect FICC, its other EPN Users, or its creditors or investors, to safeguard securities and funds in the custody or control of FICC, or to

promote the prompt and accurate processing, clearance or settlement of securities transactions.

In connection with clause (d) above, FICC proposes to define a reportable event (“Reportable Event”) in EPN Rule 1 (Definitions) of *Article I (Definitions and General Provisions)* as an event that would effect a change in control of an EPN User or could have a substantial impact on such EPN User’s business and/or financial condition, including, but not limited to: (i) material organizational changes including mergers, acquisitions, changes in corporate form, name changes, changes in the ownership of an EPN User or its affiliates, and material changes in management, and (ii) status as a defendant in litigation, which could reasonably impact the EPN User’s financial condition or ability to conduct business. The proposed “General Continuance Standards” section would also require an EPN User to submit written notice to FICC of a Reportable Event at least 90 calendar days prior to the effective date of such Reportable Event unless the EPN User demonstrates that it could not have reasonably done so, and provided notice, both orally and in writing, to FICC as soon as possible.

Additionally, FICC is proposing that the proposed “General Continuance Standards” section state that, if FICC has reason to believe that an EPN User may fail to comply with any of the EPN Rules, FICC may require the EPN User to provide written assurances. Specifically, FICC may require such assurances, within such timeframe, in such detail, and pursuant to such manner as FICC shall determine, in writing of a credible nature that the EPN User shall not, in fact, violate any of the EPN Rules. These assurances could include, but would not be limited to, notarized statements, affidavits and/or officers’ certificates.

In order to accommodate the proposed “General Continuance Standards” section as described in this subsection 4 and in subsection 3 above, FICC is proposing to change the numbering of the existing “Confidentiality” provision in EPN Rule 1 (Requirements Applicable to EPN Users) of *Article III (EPN Users)* from “Sec. 8” to “Sec. 9.”

2. Statutory Basis

Section 17A(b)(3)(F) of the Act requires, in part, that the EPN Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions.⁶

The proposed change to correct references in the section of the EPN Rules entitled “*FICC Mortgage-Backed Securities Division (“MBSD”) EPN Schedule of Charges*” (as described above in subsection 2 of Item II(A)1) would help to ensure that the EPN Rules are accurate and clear to EPN Users. As such, FICC believes that the proposed change would allow EPN Users to have a better understanding of the EPN Rules and thereby assist in promoting the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.⁷

The proposed changes to (i) include an EPN User’s ongoing obligation to notify FICC if such EPN User no longer complies with the requirements for admission to membership as set forth in the EPN Rules (as described above in subsection 3 of Item II(A)1), (ii) define specific circumstances where FICC would undertake action to determine the status of an EPN User and its continued access to the EPN system (as described above in subsection 4 of Item II(A)1), and (iii) state that FICC may request that an EPN User provide written assurances if FICC believes such EPN User may fail to

⁶ 15 U.S.C. 78q-1(b)(3)(F).

⁷ Id.

comply with the EPN Rules (as described above in subsection 4 of Item II(A)1) would provide clarity to EPN Users by setting forth in the EPN Rules FICC's existing practice. FICC believes this clarity would help to ensure that EPN Users are fully aware of their rights and obligations. The proposed changes would also help to ensure that FICC is promptly made aware in the event that an EPN User's access to the EPN Service should be reassessed due to an EPN User's possible violation of the EPN Rules. Because the proposed rule changes are designed to help ensure that EPN Users remain compliant with the EPN Rules, FICC believes that the proposed changes would help FICC protect the EPN Service. As the EPN Service is an important aspect of MBSD's clearance and settlement services, these proposed changes would promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.⁸

Rule 17Ad-22(e)(18) under the Act requires, in part, that FICC establish, implement, maintain and enforce written policies and procedures reasonably designed to monitor compliance with participation requirements on an ongoing basis.⁹ As described above, the proposed rule changes to amend the EPN Rules to (i) include an EPN User's ongoing reporting obligations (as described above in subsection 3 of Item II(A)1) and (ii) define circumstances under which FICC may determine an EPN User's compliance with the EPN Rules (as described above in subsection 4 of Item II(A)1) would help to ensure that FICC is promptly made aware in the event that an EPN User's access to the EPN Service should be reassessed due to an EPN User's possible violation of EPN Rules.

⁸ Id.

⁹ 17 CFR 240.17Ad-22(e)(18).

Because the proposed changes give FICC the ability to monitor an EPN User's compliance with the EPN Rules, FICC believes the proposed changes to (i) include an EPN User's ongoing reporting obligations and (ii) define circumstances under which FICC may determine an EPN User's compliance with the EPN Rules are consistent with Rule 17Ad-22(e)(18).¹⁰

Rule 17Ad-22(e)(23)(i) under the Act requires, in part, that FICC establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for publicly disclosing all relevant rules and material procedures.¹¹ As described above, the proposed rule changes to amend the EPN Rules to (i) make corrections (as described above in subsection 2 of Item II(A)1), (ii) include an EPN User's ongoing reporting obligations (as described above in subsection 3 of Item II(A)1), and (iii) define circumstances under which FICC may determine an EPN User's compliance with the EPN Rules (as described above in subsection 4 of Item II(A)1) would better publicly disclose all relevant and material procedures regarding the EPN Service. Therefore, FICC believes the proposed changes to correct and codify FICC's existing practices in the EPN Rules are consistent with Rule 17Ad-22(e)(23)(i).¹²

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

FICC does not believe that the proposed changes to correct references in the section of the EPN Rules entitled "*FICC Mortgage-Backed Securities Division ("MBSD") EPN Schedule of Charges*" (as described above in subsection 2 of Item

¹⁰ Id.

¹¹ 17 CFR 240.17Ad-22(e)(23)(i).

¹² Id.

II(A)1) would impact competition because the proposed changes correct errors in the EPN Rules and do not affect FICC's operations or the rights and obligations of EPN Users.

FICC does not believe that the proposed changes to (i) include an EPN User's ongoing obligation to notify FICC if such EPN User no longer complies with the requirements for admission to membership in the EPN Rules (as described above in subsection 3 of Item II(A)1), (ii) define specific circumstances where FICC would undertake action to determine the status of an EPN User and its continued access to the EPN system (as described above in subsection 4 of Item II(A)1), and (iii) state that FICC may request that an EPN User provide written assurances if FICC believes such EPN User may fail to comply with the EPN Rules (as described above in subsection 4 of Item II(A)1) would impact competition because the proposed changes would codify FICC's existing practices in the EPN Rules. The proposed changes would apply equally to all EPN Users and would not affect FICC's operations. As a result, FICC believes the proposed rule change would not have any impact on competition.

(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

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 such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change

should be disapproved.

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-2018-005 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-2018-005. 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FICC-2018-005 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.¹³

Secretary

¹³ 17 CFR 200.30-3(a)(12).

Bolded, underlined text indicates proposed added language

~~Bolded, strikethrough text~~ indicates proposed deleted language

FIXED INCOME CLEARING CORPORATION
MORTGAGE-BACKED SECURITIES DIVISION
EPN RULES

**ARTICLE I
DEFINITIONS AND GENERAL PROVISIONS**

Rule 1. Definitions

Unless the context requires otherwise, the terms defined in this Rule shall, for all purposes of these EPN Rules, have the meanings herein specified.

* * * *

Participant

The term "Participant" means any person qualified pursuant to the Corporation's EPN Rules to participate in the Comparison and Clearing System.

Reportable Event

The term "Reportable Event" means an event that would effect a change in control of an EPN User or could have a substantial impact on such EPN User's business and/or financial condition, including, but not limited to: (a) material organizational changes including mergers, acquisitions, changes in corporate form, name changes, changes in the ownership of an EPN User or its affiliates, and material changes in management, and (b) status as a defendant in litigation, which could reasonably impact the EPN User's financial condition or ability to conduct business.

Securities

The term "Securities" means Mortgage-Backed Securities and any other securities designated by the Corporation as EPN Eligible Securities.

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ARTICLE III
EPN USERS

Rule 1. Requirements Applicable to EPN Users

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Sec. 8. General Continuance Standards

An EPN User shall promptly inform the Corporation, both orally and in writing, if the EPN User is no longer in compliance with any of the requirements for admission to membership set forth in the EPN Rules. Notification must take place within two Business Days from the date on which the EPN User first learns of its non-compliance. In addition, an EPN User shall notify the Corporation within two Business Days of learning of an investigation or proceeding to which it is or is becoming subject that would cause the EPN User to fall out of compliance with any of the relevant requirements for membership set forth in the EPN Rules. Notwithstanding the previous sentence, the EPN User shall not be required to notify the Corporation if doing so would cause the EPN User to violate an applicable law, rule or regulation. If (a) the EPN User fails to maintain the relevant requirements for admission to membership, including but not limited to operational testing and related reporting requirements imposed by the Corporation from time to time; (b) the EPN User violates any EPN Rule or other agreement with the Corporation; (c) the EPN User fails to satisfy in a timely manner any obligation to the Corporation; (d) there is a Reportable Event relating to such EPN User; or (e) the Corporation otherwise deems it necessary or advisable, in order to protect the Corporation, its other EPN Users, or its creditors or investors, to safeguard securities and funds in the custody or control of the Corporation, or to promote the prompt and accurate processing, clearance or settlement of securities transactions, the Corporation will undertake action to determine the status of the EPN User and its continued eligibility.

Furthermore, an EPN User must submit to the Corporation written notice of any Reportable Event at least 90 calendar days prior to the effective date of such Reportable Event unless the EPN User demonstrates that it could not have reasonably done so, and provided notice, both orally and in writing, to the Corporation as soon as possible.

In addition, if the Corporation has reason to believe that an EPN User may fail to comply with any of the EPN Rules, the Corporation may require the EPN User to provide it, within such timeframe, in such detail, and pursuant to such manner as the Corporation shall determine, with assurances in writing of a credible nature that the EPN User shall not, in fact, violate any of the EPN Rules.

Sec. ~~8-9~~. Confidentiality.

Any information furnished to the Corporation pursuant to this Rule shall be held in at least the same degree of confidence as may be required by law or the rules and regulations of the appropriate regulatory body having jurisdiction over the applicant or EPN User.

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FIXED INCOME CLEARING CORPORATION FICC
MORTGAGE-BACKED SECURITIES DIVISION (“MBSD”)
EPN SCHEDULE OF CHARGES

* * * *

ADDITIONAL FEES FOR LATE PAYMENT OF EPN BILLS

Payable Cash Obligation	1st Occurrence*	2nd Occurrence	3rd Occurrence	4th Occurrence
\$50.00 - \$100,000.00	\$50.00	\$100.00	\$250.00	\$500.00

* The number of occurrences are calculated based on a rolling 90-day basis, with any one day on which a late payment is made counted as a separate occurrence, even if such participant incurred a late fee on the prior day. A Participant who fails to timely satisfy its Cash Obligations on more than four occasions within a rolling 90-day period will be subject to additional late fees for each such occurrence in an amount equal to the fee for the fourth occurrence up to twice the fee for the fourth occurrence determined at **the Corporation’s FICC’s** discretion depending on the magnitude and history of the Participant’s late payments. **The Corporation FICC** reserves the discretion to waive or reduce late fees when a particular occurrence is not deemed to be the fault of the Participant or the Participant has provided **the Corporation FICC** with evidence that it is taking appropriate corrective action to prevent reoccurrence.

THIRD PARTY FEES AND CHARGES

The Corporation FICC may also bill EPN Users for, and include on the EPN Users’ billing statements, fees and charges which may be imposed on such EPN Users by third parties such as: (a) other subsidiaries of The Depository Trust **& Clearing** Corporation; (b) self-regulatory organizations and other securities industry organizations or entities of which such EPN User is a member, where such third party has represented to the Corporation that it has an agreement with the EPN User allowing the EPN User’s payment of such fees and charges; and (c) other organizations and entities which provide services or equipment to EPN Users which are integral to services provided by **the Corporation FICC**. Any amounts so collected will be remitted to the entity imposing such fee or charge.

Such fees and charges may include those of companies that identify themselves as being an affiliate of the EPN User. EPN Users should check their billing statements, which shall reflect all such charges, and report any problems to **the Corporation FICC** immediately.

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