

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"/>
			Rule		
Pilot	Extension of Time Period for Commission Action *	Date Expires *	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<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) *	Section 806(e)(2) *
<input type="checkbox"/>	<input type="checkbox"/>
	Section 3C(b)(2) *
	<input type="checkbox"/>

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

Description

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

Correct Certain References, Provide Transparency to Existing Processes and Amend Existing Practices in Connection with 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

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 08/03/2018 Executive Director and Associate General Counsel

By Donaldine B. Temple

(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 *

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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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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, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

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

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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

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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

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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 (i) deleting references to the term “EPN Procedures,” (ii) amending the definition of the term “Interested Person” to delete the reference to “Comparison Only System,” (iii) deleting the defined term for “Par Amount,” (iv) replacing references to the term “Vice President” with the term “Executive Director,” (v) amending Sec. 3 (Agreements of EPN User) in EPN Rule 1 (Requirements Applicable to EPN Users) of *Article III (EPN Users)* to clarify an EPN User’s obligation to process Messages through the EPN system during a system disruption, and (vi) amending EPN Rule 4 (Admission to Premises of Corporation; Power of Attorney) of *Article III (EPN Users)* to replace a reference to “he” with “such person.”

FICC is proposing to amend various sections in the EPN Rules to provide transparency to FICC’s existing processes. Specifically, FICC is proposing to amend EPN Rule 1 (Definitions) of *Article I (Definitions and General Provisions)*; Section 2 (Limitations) in EPN Rule 1 (Accounts) and Section 1 (Availability of Reports), Section 2 (Message Detail Report), Section 3 (Message Summary Report), and Section 5 (Good Delivery; Time Stamps) in EPN Rule 2 (Reports) of *Article II (Messages Processed by the Corporation)*; and EPN Rule 5 (Use of EPN Service) of *Article III (EPN Users)*.

FICC is also proposing to amend its existing practice in connection with an EPN User’s submission of a cancel and correct Message.² Specifically, FICC is proposing to establish one good delivery time stamp (referred to as the “T2”³ time stamp) that reflects the same processing time on the pool seller’s and the pool buyer’s cancel and correct Message, respectively. The proposed change would not affect FICC’s guarantee and novation of transactions submitted by Clearing Members through MBSD’s Clearing System.⁴

¹ Terms not defined herein are defined in the EPN Rules, available at <http://www.dtcc.com/legal/rules-and-procedures>.

² See Article II, EPN Rule 2, Sec. 5, supra note 1.

³ The reference to “T2” does not relate to the two business days settlement cycle for broker-dealer securities transactions, known as “T+2.”

⁴ 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/legal/rules-and-procedures>. Pursuant to the MBSD Rules, the term “Clearing System” means the (i) system of services provided by MBSD to persons that are Clearing Members thereof, including trade comparison, to-be-announced netting, pool comparison, pool netting, and

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

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Businesses, Technology and Operations Committee of FICC's Board of Directors on June 19, 2018.

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 (i) deleting references to the term "EPN Procedures" because FICC does not maintain EPN Procedures, (ii) amending the definition of the term "Interested Person" to delete the reference to "Comparison Only System" because MBSD does not maintain a Comparison Only System, (iii) deleting the defined term for "Par Amount" because this term is not used in the EPN Rules, (iv) replacing references to the term "Vice President" with the term "Executive Director" because FICC no longer utilizes the Vice President title, (v) amending Sec. 3 (Agreements of EPN User) in EPN Rule 1 (Requirements Applicable to EPN Users) of *Article III (EPN Users)* to clarify an EPN User's obligation to process Messages through the EPN system during a system disruption because this change would be an accurate reflection of FICC's existing practice, and (vi) amending EPN Rule 4 (Admission to Premises of Corporation; Power of Attorney) of *Article III (EPN User)* to replace a reference to "he" with "such person" because the reference to "such person" would be gender neutral.

FICC is proposing to amend various sections in the EPN Rules to provide transparency to FICC's existing processes. Specifically, FICC is proposing to amend EPN Rule 1 (Definitions) of *Article I (Definitions and General Provisions)*; Section 2 (Limitations) in EPN Rule 1 (Accounts) and Section 1 (Availability of Reports), Section 2 (Message Detail Report), Section 3 (Message Summary Report), and Section 5 (Good Delivery; Time Stamps) in EPN Rule 2 (Reports) of *Article II (Messages Processed by the Corporation)*; and EPN Rule 5 (Use of EPN Service) of *Article III (EPN Users)*.

FICC is also proposing to amend its existing practice in connection with an EPN User's submission of a cancel and correct Message.⁵ Specifically, FICC is proposing to establish one good delivery T2 time stamp⁶ that reflects the same processing time on the pool seller's and the

settlement, as applicable, and (ii) operations carried out by MBSD in the course of providing such services, as provided in the MBSD Rules. See MBSD Rule 1, Definitions.

⁵ See supra note 2.

⁶ The good delivery T2 time stamp indicates whether good delivery has occurred with respect to a Message – meaning, if the T2 time stamp reflects a time that is at or before

pool buyer's cancel and correct Message, respectively. As a result of this change, in the event that the T2 time stamp reflects a time that does not meet the good delivery requirements in accordance with the Securities Industry and Financial Markets Association's ("SIFMA") Uniform Practices Manual for the Clearance and Settlement of Mortgage-Backed Securities and Other Related Securities (referred to in the EPN Rules as the "SIFMA Guidelines"),⁷ the financing of the mortgage pools associated with the Message, if any, would be the responsibility of the counterparties to such Message, as determined by such parties, in accordance with the SIFMA Guidelines. FICC is proposing this change because it would be consistent with the SIFMA Guidelines, and FICC believes that the parties to the Message are best positioned to ensure that a cancel and correct Message meets the good delivery requirements. The proposed change would not affect FICC's guarantee and novation of transactions submitted by Clearing Members through MBSD's Clearing System.

The proposed changes are described in detail 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.⁸ The EPN Rules are designed to be consistent with the SIFMA Guidelines, which reflect common industry practices for the trading, clearance and settlement of mortgage-backed securities transactions. MBSD's Clearing Members are required to be EPN Users; however, one can be an EPN User and not a Clearing Member.⁹

(2) Proposed Changes to Correct the EPN Rules

FICC is proposing to amend the EPN Rules in order to correct various provisions in the EPN Rules. The proposed changes would help ensure that the EPN Rules are clear and accurate. The proposed changes reflect MBSD's existing practices and FICC believes that these changes

the established deadline, then good delivery has been established and the pool buyer will accept the Message with respect to the allocated securities.

⁷ The SIFMA Guidelines are available at <https://www.sifma.org/resources/general/tba-market-governance/>.

⁸ See Article III, EPN Rule 1, *supra* note 1.

⁹ 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, *supra* note 4.

would help EPN Users better understand their rights and obligations under the EPN Rules. The proposed changes are described in detail below.

a. Article I – Definitions and General Provisions

Proposed Changes to EPN Rule 1 – Definitions

FICC is proposing to delete the term “EPN Procedures.” EPN Rule 11 of Article V empowers FICC to adopt EPN Procedures as FICC “deems necessary or desirable.”¹⁰ It appears that when FICC instituted the EPN Service and the related EPN Rules, EPN Procedures were not adopted at that time.¹¹ Since FICC does not currently maintain EPN Procedures, FICC has decided to conform the EPN Rules to its practices by deleting this definition and the related references throughout the EPN Rules because this inchoate power is itself not necessary.

FICC is proposing to amend the term “EPN Service” to delete the reference to EPN Procedures.

FICC is proposing to amend the term “EPN User Profile” to delete the reference to EPN Procedures. In connection with this change, FICC is proposing to make a grammatical correction to this definition by replacing the word “in” with “by” so that the definition would state that “the EPN User Profile would be on a form specified ‘by’ FICC.”

FICC is proposing to amend the term “Interested Person” to delete the reference to Comparison Only System because MBSD does not maintain a Comparison Only System. FICC believes that the inclusion of this term in the EPN Rules was an error.

FICC is proposing to delete the term “Par Amount” because this term is not otherwise referred to in the EPN Rules. FICC believes that the inclusion of this term in the EPN Rules was an error and that it has no practical effect because this term is not used in the EPN Rules. FICC

¹⁰ See supra note 1.

¹¹ FICC instituted the EPN Service and the related EPN Rules on a pilot basis in February 1995. The Commission’s temporary approval order notes that Amendment No. 2 to the proposed rule change clarified that “the only MBS rules and procedures applicable to EPN users are the rules and procedures located in Articles VI, VII, VIII, IX, and X of MBS’s rules.” See Release No. 35009 (November 25, 1994) 59 FR 61913 (December 2, 1994) (SR-MBS-94-02). The Commission granted permanent approval of the EPN Service and the related EPN Rules in November 1995. See Release No. 36540 (November 30, 1995) 60 FR 63089 (December 8, 1995) (SR-MBS-95-09). It should be noted FICC submitted a proposed rule change in June 2017 which, among other things, renumbered the references of Articles VI, VII, VIII, IX, and X to refer to Articles I, II, III, IV and V, respectively. See Release No. 81002 (June 22, 2017) 82 FR 29355 (June 28, 2017) (SR-FICC-2017-015).

notes that this term was included and not defined in a version of the EPN Rules that was filed with the Securities and Exchange Commission (the “Commission”) on October 20, 1999.¹²

b. Article III – EPN Users

i. Proposed Changes to EPN Rule 1 – Requirements Applicable to EPN Users

Section 3 (*Agreements of EPN Users*) sets forth a list of terms that an applicant is required to agree to, as specified in the EPN User Agreement. This list states, in part, that an applicant shall agree (i) to abide by and be bound by the EPN Rules and EPN Procedures, (ii) that the EPN Rules and EPN Procedures are incorporated into every contract or Message, (iii) that the EPN User shall pay fines that are imposed in accordance with the EPN Rules and EPN Procedures, and (iv) that it is bound by any amendment to the EPN Rules and EPN Procedures. FICC is proposing to delete all references in this section to the EPN Procedures.

Section 3 also includes a paragraph that states that in the event of an EPN system disruption and an extension of the cut-off times for communicating pool allocation information pursuant to the SIFMA Guidelines, EPN Users “will” be relieved of their obligation to process Messages through the EPN Service until the beginning of the next Business Day after the EPN system has been recovered. FICC is proposing to amend this provision to state that EPN Users “may” be relieved of their obligation to process Messages through the EPN Service until “later in the Business Day or” the beginning of the next Business Day after the EPN system has been recovered.

FICC is proposing this change because the nature of the EPN system disruption and MBSD’s ability to promptly fix such disruption determines whether the cut-off time would be extended to later in the Business Day or the next Business Day. In the event that FICC has the ability to promptly fix the EPN system disruption, EPN Users may be required to process their Messages in accordance with the applicable timeframes for the remainder of the Business Day. However, if FICC cannot promptly fix the EPN system disruption, MBSD would relieve EPN Users of their obligation to process Messages through the EPN Service until the beginning of the next Business Day. In all cases, FICC coordinates with EPN Users and, to the extent necessary, SIFMA to communicate whether an extension of the cut-off time is necessary. Though EPN system disruptions are rare, the proposed change is consistent with MBSD’s existing practice of handling system disruptions that impact the EPN Service.

Section 5 (*EPN Users Bound by EPN Rules, EPN Procedures and Applicable Laws*) states, in part, that the use of FICC’s facilities by an EPN User shall constitute such EPN User’s agreement with FICC and with all other EPN Users to be bound by the provisions of, and by any action taken or order issued by FICC pursuant to the EPN Rules and any amendment thereto, and to such EPN Procedures that FICC from time to time may adopt. FICC is proposing to amend the title of this section and the paragraph in this section to delete all references to EPN Procedures.

¹² Release No. 42721 (April 25, 2000) 65 FR 25778 (May 3, 2000) (SR-MBSCC-99-8).

Section 6 (*EPN Rules and EPN Procedures Incorporated in EPN User Messages*) states that the EPN Rules and the EPN Procedures adopted from time to time by FICC shall be deemed incorporated in each Message that occurs through the EPN Service. It also states that if the terms contained in any other agreement between EPN Users are inconsistent with the provisions of the EPN Rules or the EPN Procedures, the EPN Rules and the EPN Procedures shall be controlling. FICC is proposing to amend the title of this section and the paragraph in this section to delete all references to EPN Procedures.

ii. *Proposed Changes to EPN Rule 3 – When the Corporation Declines to Act for an EPN User*

Section 1 (*Ceasing to Act for an EPN User*) in EPN Rule 3 states, in part, that FICC may at any time cease to act for an EPN User if the EPN User has (i) failed to perform its obligations to FICC or other EPN Users under the EPN Rules or the EPN Procedures or (ii) materially violated any of the EPN Rules, EPN Procedures or any agreement with FICC. FICC is proposing to amend this section to delete all references to the EPN Procedures.

iii. *Proposed Changes to EPN Rule 4 – Admission to Premises of Corporation; Powers of Attorney*

EPN Rule 4 states, in part, that no person shall be permitted to enter FICC's premises as the representative of any EPN User unless "he" has first been approved by FICC. FICC is proposing to delete the reference to "he" and replace it with "such person" because FICC believes that it would be more appropriate to use gender neutral terminology.

c. Article V – Miscellaneous

i. *Proposed Changes to EPN Rule 1 – Action by the Corporation*

EPN Rule 1 states that except where action by the Board, or any committee of the Board, is specifically required by the By-Laws or the EPN Rules, FICC may act by its President, any Managing Director or any Vice President or by such person as may be designated from time to time by the Board. FICC is proposing to amend this sentence to delete the reference to Vice President and replace it with Executive Director. FICC is proposing this change because FICC no longer utilizes the Vice President title. This category of officers is currently referred to as Executive Directors.

ii. *Proposed Changes to EPN Rule 3 – Fines and Other Sanctions*

EPN Rule 3 states that FICC may impose a fine on an EPN User for a violation of the EPN Rules or EPN Procedures. FICC is proposing to amend this paragraph to delete the reference to EPN Procedures.

iii. Proposed Changes to EPN Rule 4 – Communications

Section 1 (*Communications*) states, in part, that each EPN User maintaining an Account shall be required to maintain such data processing and communications equipment as FICC may specify in the EPN Procedures. FICC is proposing to delete the reference to EPN Procedures and amend this sentence to state that each EPN User maintaining an Account shall be required to maintain such data processing and communications equipment as FICC may specify from time to time. The proposed change is consistent with FICC’s existing practice of providing data processing and communications equipment requirements to all approved applicants during the membership onboarding process. In the event that FICC changes or updates its data processing and communications equipment requirements, FICC partners with applicants and EPN Users to help ensure that their equipment is adequate and that such EPN Users are operationally ready. EPN Users are made aware of all changes or updates to FICC’s data processing and communications equipment requirements because FICC communicates such changes through various forms of communication including but not limited to important notices, electronic mail and phone.

iv. Proposed Changes to EPN Rule 7 – Hearings

Section 1 (*Requests for a Hearing*) states, in part, that if an Interested Person’s written statement contests FICC’s determination that such Interested Person has violated an EPN Rule or EPN Procedure, the statement must specifically admit or deny each violation alleged and detail the reasons why the EPN Rules or EPN Procedures alleged to have been violated are being contested. FICC is proposing to amend this sentence to delete all references to the EPN Procedures.

v. Proposed Changes to EPN Rule 11 – EPN Procedures

FICC is proposing to delete this rule its entirety because FICC does not maintain EPN Procedures. EPN Rule 11 of Article V empowers FICC to adopt EPN Procedures as FICC “deems necessary or desirable.”¹³ It appears that when FICC instituted the EPN Service and the related EPN Rules, EPN Procedures were not adopted at that time.¹⁴ Since FICC does not currently maintain EPN Procedures, FICC has decided to conform the EPN Rules to its practices by deleting this Rule, the defined term from EPN Rule 1 of *Article I* (as stated above), and related references throughout the EPN Rules because this inchoate power is itself not necessary. FICC would reserve this rule for future use and this rule would be entitled “Reserved for Future Use.”

vi. Proposed Changes to EPN Rule 12 – Waivers, Etc.

EPN Rule 12 states, in part, that the time fixed by the EPN Rules, the EPN Procedures or any regulations issued by FICC for the doing of any act may be extended, waived or suspended by the Board or by any officer of FICC having a rank of Vice President or higher whenever such

¹³ See supra note 1.

¹⁴ See supra note 11.

extension, waiver or suspension is necessary or expedient. FICC is proposing to amend this sentence to delete all references to EPN Procedures and delete all references to regulations issued by FICC. FICC is also proposing to delete the reference to “Vice President” and replace it with “Executive Director” because FICC no longer utilizes the Vice President title. This category of officers is currently referred to as Executive Directors.

vii. Proposed Changes to EPN Rule 17 – Forms

EPN Rule 17 states, in part, that any information required to be delivered to FICC by use of any such forms may be delivered by the use of any media, as shall be prescribed in the EPN Procedures or by FICC from time to time. FICC is proposing to delete the reference to EPN Procedures. In the event that FICC requires that a particular form should be delivered by use of any media, it is FICC’s existing practice to provide this information directly to the affected EPN User. To the extent that such requirement is applicable to a group or category of EPN Users, such EPN Users are made aware of FICC’s requirements because FICC announces such information through important notices, available at <http://www.dtcc.com/legal/important-notices>.

(3) Proposed Changes to Provide Enhanced Transparency to the EPN Rules

FICC is proposing to amend the EPN Rules to provide transparency to various provisions in the EPN Rules. The proposed changes would help ensure that the EPN Rules are clear and accurate. The proposed changes reflect MBSB’s existing practices and FICC believes that these changes would help EPN Users better understand their rights and obligations under the EPN Rules. The proposed changes are described in detail below.

a. Article I – Definitions and General Provisions

Proposed Changes to EPN Rule 1 – Definitions

FICC is proposing to amend the term “Message” to delete the reference to EPN Procedures. FICC would define this term as all electronic messages sent and received by an EPN User through the EPN Service.

b. Article II – Messages Processed by the Corporation

i. Proposed Changes to EPN Rule 1 – Accounts

Section 2 (*Limitations*) states that FICC may specify in the EPN Procedures that certain Messages between EPN Users are not eligible for the EPN Service. FICC is proposing to delete the reference to EPN Procedures and amend this section to state that certain Messages may be ineligible if FICC determines that such Messages are not submitted in a manner that is consistent with the communication links, formats, timeframes, and deadlines established by FICC.

Currently, an EPN User is informed of the requisite communication links, formats, timeframes, and deadlines when such EPN User’s application has been approved by MBSB. This information is communicated to all approved applicants during the membership onboarding process. The communication links and formats are also available in MBSB’s implementation

guidelines at <http://www.dtcc.com/clearing-services/ficc-mbsd/ficc-mbsd-user-documentation>. The timeframes and deadlines are available at <http://www.dtcc.com/~media/Files/Downloads/Clearing-Services/FICC/MBSD/MBSD-Clearing-Schedules-and-Timeframes.pdf>.

ii. *Proposed Changes to EPN Rule 2 – Reports*

Section 1 (*Availability of Reports*) states that the Message Detail Report and the Message Summary Report are available at a time specified in the EPN Procedures. FICC is proposing to delete the reference to EPN Procedures and amend this section to state that these reports would be available at a time specified in the time schedule posted on FICC’s website. This proposed change refers to the timeframes available at <http://www.dtcc.com/~media/Files/Downloads/Clearing-Services/FICC/MBSD/MBSD-Clearing-Schedules-and-Timeframes.pdf>.

Section 2 (*Message Detail Report*) states that the Message Detail Report shall list the contents of each Message as described in the EPN Procedures. FICC is proposing to delete the reference to EPN Procedures and amend this section to state that for each Eligible Security, the Message Detail Report would include, but would not be limited to, the pool number, original face value, current face value, maturity date, pool factor, CUSIP Number, issue date, principal and interest, and total net money. In connection with this change, FICC is proposing to amend *Article I*, EPN Rule 1 (Definitions) to include a defined term for “CUSIP Number.” This term would be defined as the Committee on Uniform Securities Identification Procedures identifying number for an EPN Eligible Security. The proposed change to this section would be consistent with the information that is currently included in the Message Detail Report.

Section 3 (*Message Summary Report*) states that the Message Summary Report shall list the contents of each Message as described in the EPN Procedures. FICC is proposing to delete the reference to EPN Procedures and amend this section to state that for each Eligible Security, the Message Summary Report would include, but would not be limited to, the total original face value, total net money, CUSIP Number, and summary of the number and type of Messages. The proposed change to this section would be consistent with the information that is currently included in the Message Summary Report.

Section 5 (*Good Delivery; Time Stamps*) states that each EPN Message shall include one or more time stamps, one of which will include a good delivery time stamp as described in the EPN Procedures. FICC is proposing to delete the reference to “EPN” in the term “EPN Message” because “EPN Message” is not a defined term, however, “Message” is a defined term. FICC is also proposing to delete the reference to EPN Procedures. FICC is also proposing to amend this section to state that the good delivery time stamp would be referred to as “T2” and that the application of this time stamp would determine good delivery among EPN Users pursuant to the SIFMA Guidelines. The proposed change would also state that the remainder of

the time stamps would be for the EPN Service's operational, processing, and reporting purposes.¹⁵

In accordance with the SIFMA Guidelines, pool sellers use the EPN Service to transmit pool information in real-time to their pool buyer counterparties. Two Business Days prior to the established settlement date of to-be-announced settlement obligations (known as "48-Hour Day"), pool sellers that have an obligation to deliver pools to pool buyers must submit pool information that such pool sellers intend to allocate in satisfaction of their settlement obligation. This notification must occur by 3:00 p.m. on 48-Hour Day.¹⁶ The 3:00 p.m. cut-off time establishes that good delivery has occurred for purposes of the established settlement date – meaning that, if a pool seller submits its pool information in a Message by the 3:00 p.m. cut-off time on 48-Hour Day, then the pool buyer is obligated to accept the mortgage pools on the settlement date. In the event that the pool seller's notification does not meet the 3:00 p.m. deadline, the pool buyer will determine whether it is willing to accept the pools subsequent to the settlement date, and either the pool seller or the pool buyer will finance the mortgage pools until the delivery date. The delivery of the mortgage pools and any financing arrangement occur outside of the EPN Service.

Because the timing of each Message is important, the EPN system applies time stamps to each Message that is processed through the EPN Service. The time stamp designated as T2 establishes whether the pool seller has met good delivery – meaning, the 3:00 p.m. cut-off time on 48-Hour Day.¹⁷

In the event that the pool seller decides to substitute a mortgage pool for which pool information has already been provided, the pool seller must submit a cancel and correct Message by 12:15 p.m. on any Business Day prior to the delivery of the mortgage pool.¹⁸ Upon receipt of the pool seller's Message, the EPN system transmits the Message to the pool buyer. The T2 time

¹⁵ Each Message reflects additional time stamps (e.g., T1, T3, T4, and T5) that are solely for FICC's operational, processing and reporting purposes. T1 represents the time when the Message is received by the EPN Service for processing; T3 represents the time when the EPN Service's Message Processor sends the Message to the Outbound Table; T4 represents the time when the Message Processor archives the Message; and T5 represents the time when the EPN Service's Output Formatter writes the Message to the Outbound Table. The Message Processor, Outbound Table and the Output Formatter are operational components of the EPN Service.

¹⁶ See MBSD's timeframes, available at <http://www.dtcc.com/~media/Files/Downloads/Clearing-Services/FICC/MBSD/MBSD-Clearing-Schedules-and-Timeframes.pdf>; and see the SIFMA Guidelines, Chapter 7, *supra* note 7.

¹⁷ In the event that a pool seller fails to submit its pool information, such pool seller's obligation to submit the pool information remains ongoing until the pool information is submitted.

¹⁸ See *supra* note 16.

stamp on the Message received by the pool buyer establishes whether good delivery has occurred for purposes of the pool seller's pool substitution. In the event that the T2 time stamp on the pool buyer's Message is after 12:15 p.m., FICC is responsible for financing the mortgage pools associated with the Message until the delivery date so long as the T2 time stamp on the pool seller's Message reflects a time that is at or before 12:15 p.m. As set forth in subsection (4) below, FICC is proposing to establish one good delivery T2 time stamp that reflects the same processing time on the pool seller's Message and the pool buyer's Message, respectively. This T2 time stamp would determine whether the pool seller's cancel and correct Message has met the good delivery requirement.

c. Article III – EPN Users

Proposed Changes to EPN Rule 5 – Use of EPN Service

EPN Rule 5 states, in part, that all EPN Users will use the EPN Service for EPN Eligible Securities in a manner set forth in the EPN Procedures and that this shall be accomplished by providing (for each Message that an EPN User sends or receives) the pricing and other descriptive information, in the manner, and by the cut-off times, specified in the EPN Procedures. FICC is proposing to delete the references to EPN Procedures and amend this rule to state that the EPN User will use the EPN Service in a manner set forth in the EPN Rules and that this shall be accomplished by providing (for each Message that an EPN User sends or receives) the pricing and other descriptive information, in the manner, and by the times, specified on FICC's website. This information is communicated to all approved applicants during the membership onboarding process. The information that an EPN User is required to include in a Message is available at <http://www.dtcc.com/clearing-services/ficc-mbsd/ficc-mbsd-user-documentation.aspx>, and the timeframes are available at <http://www.dtcc.com/~media/Files/Downloads/Clearing-Services/FICC/MBSD/MBSD-Clearing-Schedules-and-Timeframes.pdf>.

(4) Proposed Change to the EPN System's Processing of the Good Delivery T2 Time Stamp for Pool Substitutions

As described above in subsection (3)b.ii., if a pool seller decides to substitute a mortgage pool for which pool information has already been provided, the pool seller must submit a cancel and correct Message by 12:15 p.m. on any Business Day prior to the delivery of the mortgage pool. Upon receipt of the pool seller's Message, the EPN system applies a T2 time stamp to the pool seller's Message to reflect the time that the EPN system received the pool seller's Message. The EPN system also applies a T2 time stamp to the pool buyer's Message to reflect the time that the pool buyer received the pool seller's Message. The T2 time stamp on the pool buyer's Message establishes whether good delivery has occurred for purposes of the pool seller's pool substitution. In the event that the T2 time stamp on the pool buyer's Message reflects a time that is after 12:15 p.m., FICC is responsible for financing the mortgage pools that are associated with the Message until the next Business Day.¹⁹

¹⁹ To date, all Messages have met the established good delivery requirements, and as a result, FICC has not had to finance any mortgage pools.

FICC is proposing to establish one good delivery T2 time stamp that reflects the same processing time on the pool seller's Message and the pool buyer's Message, respectively. This time stamp would determine whether the 12:15 p.m. cut-off time has been met for purposes of establishing good delivery of the pool buyer's pool substitution. As a result of this change, in the event that the T2 time stamp reflects a time that does not meet the 12:15 p.m. cut-off time, the financing of the mortgage pools, if any, would be the responsibility of the counterparties to the Message as determined by such parties in accordance with the SIFMA Guidelines. FICC is proposing this change because it would be consistent with the SIFMA Guidelines and FICC believes that the parties to the Message are best positioned to ensure that the Message meets the good delivery requirements.

The proposed change would be consistent with FICC's proposal to amend Section 5 (Good Delivery; Time Stamps) in EPN Rule 2 (Reports) of *Article II (Messages Processed by the Corporation)* (as referenced above in subsection (3)b.ii.) to state that the good delivery time stamp would be referred to as "T2" and the application of this time stamp would determine good delivery among EPN Users pursuant to the SIFMA Guidelines.

The proposed change would not affect FICC's guarantee and novation of transactions submitted by Clearing Members through MBSD's Clearing System.

(5) Implementation of the Proposed Rule Changes

The proposed changes to (i) correct the EPN Rules (as described above in subsection (2)) and (ii) provide transparency to the EPN Rules (as described above in subsection (3)) would become operative on the date of the Commission's approval of this proposed rule change.

The proposed change to the EPN system's processing of the good delivery T2 time stamp for pool substitutions (as described above in subsection (4)) would become operative within 45 Business Days after the date of the Commission's approval of this proposed rule change. FICC would add a legend to *Article II (Messages Processed by the Corporation)* that identifies the implementation date of the proposed change to Section 5 of EPN Rule 2.

(b) Statutory Basis

Section 17A(b)(3)(F) of the Securities Exchange Act of 1934 ("Act") requires, in part, that the EPN Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions.²⁰

The proposed changes to (i) correct the EPN Rules (as described above in subsection (2) of Item 3(a)) and (ii) provide transparency to the EPN Rules (as described above in subsection (3) of Item 3(a)) would help to ensure that the EPN Rules are accurate and clear to EPN Users. When EPN Users better understand their rights and obligations regarding the EPN Service, such EPN Users are more likely to act in accordance with the EPN Rules, which FICC believes would promote the prompt and accurate clearance and settlement of securities transactions. As such,

²⁰ 15 U.S.C. 78q-1(b)(3)(F).

FICC believes that the proposed changes to correct and provide transparency to the EPN Rules would be consistent with Section 17A(b)(3)(F) of the Act.²¹

The proposed change to established one good delivery T2 time stamp (as described above in subsection (4) of Item 3(a)) would be consistent with the SIFMA Guidelines and would further encourage EPN Users to adhere to the 12:15 p.m. deadline for substitutions. Because the proposed change would be consistent with the SIFMA Guidelines, which reflect industry best practices, FICC believes that the proposed change would help the seamless processing of transactions through the EPN Service. As a result, FICC believes the proposed change further promotes the prompt and accurate clearance and settlement of securities transactions. As such, FICC believes that the proposed change would be consistent with Section 17A(b)(3)(F) of the Act.²²

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.²³ As described above, the proposed rule changes to (i) correct the EPN Rules (as described above in subsection (2) of Item 3(a)), (ii) provide transparency to the EPN Rules (as described above in subsection (3) of Item 3(a)) and (iii) amend the EPN system's processing of T2 time stamps for pool substitutions would better disclose all relevant and material aspects of the EPN Service. Therefore, FICC believes the proposed changes to correct and provide transparency to the EPN Rules are consistent with Rule 17Ad-22(e)(23)(i).²⁴

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

FICC does not believe the proposed rule changes to (i) correct the EPN Rules (as described above in subsection (2) of Item 3(a)) and (ii) provide transparency to the EPN Rules (as described above in subsection (3) of Item 3(a)) would impact competition. The proposed rule changes would help to ensure that the EPN Rules remain clear and accurate. In addition, the changes would facilitate EPN Users' understanding of the EPN Rules and their obligations thereunder. These changes would apply equally to all EPN Users and would not affect FICC's operations or the rights and obligations of EPN membership. As such, FICC believes the proposed rule changes to correct and provide transparency to the EPN Rules would not have any impact on competition.

FICC believes that the proposed change to establish one good delivery T2 time stamp (as described above in subsection (4) of Item 3(a)) could have an impact on competition among the parties to the Message because either the pool seller or the pool buyer (as determined by the

²¹ Id.

²² Id.

²³ 17 CFR 240.17Ad-22(e)(23)(i).

²⁴ Id.

parties in accordance with the SIFMA Guidelines) would be responsible for financing the substituted mortgage pools associated with a Message that does not meet the good delivery requirements. FICC does not believe that the burden on competition would be significant because it would similarly affect both counterparties to a cancel and correct Message that does not meet the good delivery requirements in accordance with the SIFMA Guidelines.

FICC believes that any burden on competition that is created by the proposed change would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.²⁵ FICC believes that the proposed change would be necessary in furtherance of the Act because it would be consistent with the SIFMA Guidelines, which reflect best practices. The SIFMA Guidelines require either the pool seller or the pool buyer to take responsibility of the mortgage pools in the event that a cancel and correct Message does not meet good delivery requirements. FICC believes the proposed change would be appropriate in furtherance of the Act because EPN Users are parties to each Message, aware of the good delivery requirements and best positioned to ensure that cancel and correct Messages meet the good delivery requirements. As a result, FICC believes any burden on competition that is created by the proposed rule change would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.²⁶

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 Act²⁷ 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.

²⁵ 15 U.S.C. 78q-1(b)(3)(I).

²⁶ Id.

²⁷ 15 U.S.C. 78s(b)(2).

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 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-2018-007)

[DATE]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change to Correct Certain References, Provide Transparency to Existing Processes and Amend Existing Practices in Connection with 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 August __, 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 (i) deleting references to the term “EPN Procedures,” (ii) amending the definition of the term “Interested Person” to delete the reference to “Comparison Only System,” (iii) deleting the defined term for “Par Amount,” (iv) replacing references to the term “Vice President” with the term “Executive

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/legal/rules-and-procedures>.

Director,” (v) amending Sec. 3 (Agreements of EPN User) in EPN Rule 1 (Requirements Applicable to EPN Users) of *Article III (EPN Users)* to clarify an EPN User’s obligation to process Messages through the EPN system during a system disruption, and (vi) amending EPN Rule 4 (Admission to Premises of Corporation; Power of Attorney) of *Article III (EPN Users)* to replace a reference to “he” with “such person.”

FICC is proposing to amend various sections in the EPN Rules to provide transparency to FICC’s existing processes. Specifically, FICC is proposing to amend EPN Rule 1 (Definitions) of *Article I (Definitions and General Provisions)*; Section 2 (Limitations) in EPN Rule 1 (Accounts) and Section 1 (Availability of Reports), Section 2 (Message Detail Report), Section 3 (Message Summary Report), and Section 5 (Good Delivery; Time Stamps) in EPN Rule 2 (Reports) of *Article II (Messages Processed by the Corporation)*; and EPN Rule 5 (Use of EPN Service) of *Article III (EPN Users)*.

FICC is also proposing to amend its existing practice in connection with an EPN User’s submission of a cancel and correct Message.⁴ Specifically, FICC is proposing to establish one good delivery time stamp (referred to as the “T2”⁵ time stamp) that reflects the same processing time on the pool seller’s and the pool buyer’s cancel and correct Message, respectively. The proposed change would not affect FICC’s guarantee and novation of transactions submitted by Clearing Members through MBSD’s Clearing System.⁶

⁴ See Article II, EPN Rule 2, Sec. 5, *supra* note 3.

⁵ The reference to “T2” does not relate to the two business days settlement cycle for broker-dealer securities transactions, known as “T+2.”

⁶ 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

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 (i) deleting references to the term “EPN Procedures” because FICC does not maintain EPN Procedures, (ii) amending the definition of the term “Interested Person” to delete the reference to “Comparison Only System” because MBSD does not maintain a Comparison Only System, (iii) deleting the defined term for “Par Amount” because this term is not used in the EPN Rules, (iv) replacing references to the term “Vice President” with the term “Executive Director” because FICC no longer utilizes the Vice President title, (v) amending Sec. 3 (Agreements of EPN User) in EPN Rule 1 (Requirements Applicable to EPN Users) of *Article III (EPN Users)* to clarify an EPN User’s obligation to process Messages through the EPN system during a system disruption because this change would be an accurate

<http://www.dtcc.com/legal/rules-and-procedures>. Pursuant to the MBSD Rules, the term “Clearing System” means the (i) system of services provided by MBSD to persons that are Clearing Members thereof, including trade comparison, to-be-announced netting, pool comparison, pool netting, and settlement, as applicable, and (ii) operations carried out by MBSD in the course of providing such services, as provided in the MBSD Rules. See MBSD Rule 1, Definitions.

reflection of FICC's existing practice, and (vi) amending EPN Rule 4 (Admission to Premises of Corporation; Power of Attorney) of *Article III (EPN User)* to replace a reference to "he" with "such person" because the reference to "such person" would be gender neutral.

FICC is proposing to amend various sections in the EPN Rules to provide transparency to FICC's existing processes. Specifically, FICC is proposing to amend EPN Rule 1 (Definitions) of *Article I (Definitions and General Provisions)*; Section 2 (Limitations) in EPN Rule 1 (Accounts) and Section 1 (Availability of Reports), Section 2 (Message Detail Report), Section 3 (Message Summary Report), and Section 5 (Good Delivery; Time Stamps) in EPN Rule 2 (Reports) of *Article II (Messages Processed by the Corporation)*; and EPN Rule 5 (Use of EPN Service) of *Article III (EPN Users)*.

FICC is also proposing to amend its existing practice in connection with an EPN User's submission of a cancel and correct Message.⁷ Specifically, FICC is proposing to establish one good delivery T2 time stamp⁸ that reflects the same processing time on the pool seller's and the pool buyer's cancel and correct Message, respectively. As a result of this change, in the event that the T2 time stamp reflects a time that does not meet the good delivery requirements in accordance with the Securities Industry and Financial Markets Association's ("SIFMA") Uniform Practices Manual for the Clearance and Settlement of Mortgage-Backed Securities and Other Related Securities (referred to in

⁷ See supra note 4.

⁸ The good delivery T2 time stamp indicates whether good delivery has occurred with respect to a Message – meaning, if the T2 time stamp reflects a time that is at or before the established deadline, then good delivery has been established and the pool buyer will accept the Message with respect to the allocated securities.

the EPN Rules as the “SIFMA Guidelines”),⁹ the financing of the mortgage pools associated with the Message, if any, would be the responsibility of the counterparties to such Message, as determined by such parties, in accordance with the SIFMA Guidelines. FICC is proposing this change because it would be consistent with the SIFMA Guidelines, and FICC believes that the parties to the Message are best positioned to ensure that a cancel and correct Message meets the good delivery requirements. The proposed change would not affect FICC’s guarantee and novation of transactions submitted by Clearing Members through MBSB’s Clearing System.

The proposed changes are described in detail below.

(1) **MBSB’s EPN Service**

MBSB’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 MBSB. The application process and the use of the EPN Service are governed by the EPN Rules.¹⁰ The EPN Rules are designed to be consistent with the SIFMA Guidelines, which reflect common industry practices for the trading, clearance and settlement of mortgage-backed securities transactions. MBSB’s Clearing Members are

⁹ The SIFMA Guidelines are available at <https://www.sifma.org/resources/general/tba-market-governance/>.

¹⁰ See Article III, EPN Rule 1, supra note 3.

required to be EPN Users; however, one can be an EPN User and not a Clearing Member.¹¹

(2) Proposed Changes to Correct the EPN Rules

FICC is proposing to amend the EPN Rules in order to correct various provisions in the EPN Rules. The proposed changes would help ensure that the EPN Rules are clear and accurate. The proposed changes reflect MBS's existing practices and FICC believes that these changes would help EPN Users better understand their rights and obligations under the EPN Rules. The proposed changes are described in detail below.

a. Article I – Definitions and General Provisions

Proposed Changes to EPN Rule 1 – Definitions

FICC is proposing to delete the term “EPN Procedures.” EPN Rule 11 of Article V empowers FICC to adopt EPN Procedures as FICC “deems necessary or desirable.”¹² It appears that when FICC instituted the EPN Service and the related EPN Rules, EPN Procedures were not adopted at that time.¹³ Since FICC does not currently maintain EPN

¹¹ Pursuant to the MBS's Rules, the term “Clearing Member” means any entity admitted into membership pursuant to MBS's Rule 2A. See MBS's Rule 1, Definitions, supra note 6.

¹² See supra note 3.

¹³ FICC instituted the EPN Service and the related EPN Rules on a pilot basis in February 1995. The Commission's temporary approval order notes that Amendment No. 2 to the proposed rule change clarified that “the only MBS rules and procedures applicable to EPN users are the rules and procedures located in Articles VI, VII, VIII, IX, and X of MBS's rules.” See Release No. 35009 (November 25, 1994) 59 FR 61913 (December 2, 1994) (SR-MBS-94-02). The Commission granted permanent approval of the EPN Service and the related EPN Rules in November 1995. See Release No. 36540 (November 30, 1995) 60 FR 63089 (December 8, 1995) (SR-MBS-95-09). It should be noted FICC submitted a proposed rule change in June 2017 which, among other things, renumbered the references of Articles VI, VII, VIII, IX, and X to refer to Articles I, II, III, IV and

Procedures, FICC has decided to conform the EPN Rules to its practices by deleting this definition and the related references throughout the EPN Rules because this inchoate power is itself not necessary.

FICC is proposing to amend the term “EPN Service” to delete the reference to EPN Procedures.

FICC is proposing to amend the term “EPN User Profile” to delete the reference to EPN Procedures. In connection with this change, FICC is proposing to make a grammatical correction to this definition by replacing the word “in” with “by” so that the definition would state that “the EPN User Profile would be on a form specified ‘by’ FICC.”

FICC is proposing to amend the term “Interested Person” to delete the reference to Comparison Only System because MBSD does not maintain a Comparison Only System. FICC believes that the inclusion of this term in the EPN Rules was an error.

FICC is proposing to delete the term “Par Amount” because this term is not otherwise referred to in the EPN Rules. FICC believes that the inclusion of this term in the EPN Rules was an error and that it has no practical effect because this term is not used in the EPN Rules. FICC notes that this term was included and not defined in a version of the EPN Rules that was filed with the Commission on October 20, 1999.¹⁴

V, respectively. See Release No. 81002 (June 22, 2017) 82 FR 29355 (June 28, 2017) (SR-FICC-2017-015).

¹⁴ Release No. 42721 (April 25, 2000) 65 FR 25778 (May 3, 2000) (SR-MBSCC-99-8).

b. Article III – EPN Users

i. Proposed Changes to EPN Rule 1 – Requirements Applicable to EPN Users

Section 3 (*Agreements of EPN Users*) sets forth a list of terms that an applicant is required to agree to, as specified in the EPN User Agreement. This list states, in part, that an applicant shall agree (i) to abide by and be bound by the EPN Rules and EPN Procedures, (ii) that the EPN Rules and EPN Procedures are incorporated into every contract or Message, (iii) that the EPN User shall pay fines that are imposed in accordance with the EPN Rules and EPN Procedures, and (iv) that it is bound by any amendment to the EPN Rules and EPN Procedures. FICC is proposing to delete all references in this section to the EPN Procedures.

Section 3 also includes a paragraph that states that in the event of an EPN system disruption and an extension of the cut-off times for communicating pool allocation information pursuant to the SIFMA Guidelines, EPN Users “will” be relieved of their obligation to process Messages through the EPN Service until the beginning of the next Business Day after the EPN system has been recovered. FICC is proposing to amend this provision to state that EPN Users “may” be relieved of their obligation to process Messages through the EPN Service until “later in the Business Day or” the beginning of the next Business Day after the EPN system has been recovered.

FICC is proposing this change because the nature of the EPN system disruption and MBSD’s ability to promptly fix such disruption determines whether the cut-off time would be extended to later in the Business Day or the next Business Day. In the event that FICC has the ability to promptly fix the EPN system disruption, EPN Users may be required to process their Messages in accordance with the applicable timeframes for the

remainder of the Business Day. However, if FICC cannot promptly fix the EPN system disruption, MBSD would relieve EPN Users of their obligation to process Messages through the EPN Service until the beginning of the next Business Day. In all cases, FICC coordinates with EPN Users and, to the extent necessary, SIFMA to communicate whether an extension of the cut-off time is necessary. Though EPN system disruptions are rare, the proposed change is consistent with MBSD's existing practice of handling system disruptions that impact the EPN Service.

Section 5 (*EPN Users Bound by EPN Rules, EPN Procedures and Applicable Laws*) states, in part, that the use of FICC's facilities by an EPN User shall constitute such EPN User's agreement with FICC and with all other EPN Users to be bound by the provisions of, and by any action taken or order issued by FICC pursuant to the EPN Rules and any amendment thereto, and to such EPN Procedures that FICC from time to time may adopt. FICC is proposing to amend the title of this section and the paragraph in this section to delete all references to EPN Procedures.

Section 6 (*EPN Rules and EPN Procedures Incorporated in EPN User Messages*) states that the EPN Rules and the EPN Procedures adopted from time to time by FICC shall be deemed incorporated in each Message that occurs through the EPN Service. It also states that if the terms contained in any other agreement between EPN Users are inconsistent with the provisions of the EPN Rules or the EPN Procedures, the EPN Rules and the EPN Procedures shall be controlling. FICC is proposing to amend the title of this section and the paragraph in this section to delete all references to EPN Procedures.

ii. *Proposed Changes to EPN Rule 3 – When the Corporation Declines to Act for an EPN User*

Section 1 (*Ceasing to Act for an EPN User*) in EPN Rule 3 states, in part, that FICC may at any time cease to act for an EPN User if the EPN User has (i) failed to perform its obligations to FICC or other EPN Users under the EPN Rules or the EPN Procedures or (ii) materially violated any of the EPN Rules, EPN Procedures or any agreement with FICC. FICC is proposing to amend this section to delete all references to the EPN Procedures.

iii. *Proposed Changes to EPN Rule 4 – Admission to Premises of Corporation; Powers of Attorney*

EPN Rule 4 states, in part, that no person shall be permitted to enter FICC's premises as the representative of any EPN User unless "he" has first been approved by FICC. FICC is proposing to delete the reference to "he" and replace it with "such person" because FICC believes that it would be more appropriate to use gender neutral terminology.

c. Article V – Miscellaneous

i. *Proposed Changes to EPN Rule 1 – Action by the Corporation*

EPN Rule 1 states that except where action by the Board, or any committee of the Board, is specifically required by the By-Laws or the EPN Rules, FICC may act by its President, any Managing Director or any Vice President or by such person as may be designated from time to time by the Board. FICC is proposing to amend this sentence to delete the reference to Vice President and replace it with Executive Director. FICC is proposing this change because FICC no longer utilizes the Vice President title. This category of officers is currently referred to as Executive Directors.

ii. *Proposed Changes to EPN Rule 3 – Fines and Other Sanctions*

EPN Rule 3 states that FICC may impose a fine on an EPN User for a violation of the EPN Rules or EPN Procedures. FICC is proposing to amend this paragraph to delete the reference to EPN Procedures.

iii. *Proposed Changes to EPN Rule 4 – Communications*

Section 1 (*Communications*) states, in part, that each EPN User maintaining an Account shall be required to maintain such data processing and communications equipment as FICC may specify in the EPN Procedures. FICC is proposing to delete the reference to EPN Procedures and amend this sentence to state that each EPN User maintaining an Account shall be required to maintain such data processing and communications equipment as FICC may specify from time to time. The proposed change is consistent with FICC's existing practice of providing data processing and communications equipment requirements to all approved applicants during the membership onboarding process. In the event that FICC changes or updates its data processing and communications equipment requirements, FICC partners with applicants and EPN Users to help ensure that their equipment is adequate and that such EPN Users are operationally ready. EPN Users are made aware of all changes or updates to FICC's data processing and communications equipment requirements because FICC communicates such changes through various forms of communication including but not limited to important notices, electronic mail and phone.

iv. *Proposed Changes to EPN Rule 7 – Hearings*

Section 1 (*Requests for a Hearing*) states, in part, that if an Interested Person's written statement contests FICC's determination that such Interested Person has violated

an EPN Rule or EPN Procedure, the statement must specifically admit or deny each violation alleged and detail the reasons why the EPN Rules or EPN Procedures alleged to have been violated are being contested. FICC is proposing to amend this sentence to delete all references to the EPN Procedures.

v. *Proposed Changes to EPN Rule 11 – EPN Procedures*

FICC is proposing to delete this rule its entirety because FICC does not maintain EPN Procedures. EPN Rule 11 of Article V empowers FICC to adopt EPN Procedures as FICC “deems necessary or desirable.”¹⁵ It appears that when FICC instituted the EPN Service and the related EPN Rules, EPN Procedures were not adopted at that time.¹⁶ Since FICC does not currently maintain EPN Procedures, FICC has decided to conform the EPN Rules to its practices by deleting this Rule, the defined term from EPN Rule 1 of *Article I* (as stated above), and related references throughout the EPN Rules because this inchoate power is itself not necessary. FICC would reserve this rule for future use and this rule would be entitled “Reserved for Future Use.”

vi. *Proposed Changes to EPN Rule 12 – Waivers, Etc.*

EPN Rule 12 states, in part, that the time fixed by the EPN Rules, the EPN Procedures or any regulations issued by FICC for the doing of any act may be extended, waived or suspended by the Board or by any officer of FICC having a rank of Vice President or higher whenever such extension, waiver or suspension is necessary or expedient. FICC is proposing to amend this sentence to delete all references to EPN Procedures and delete all references to regulations issued by FICC. FICC is also

¹⁵ See supra note 3.

¹⁶ See supra note 13.

proposing to delete the reference to “Vice President” and replace it with “Executive Director” because FICC no longer utilizes the Vice President title. This category of officers is currently referred to as Executive Directors.

vii. Proposed Changes to EPN Rule 17 – Forms

EPN Rule 17 states, in part, that any information required to be delivered to FICC by use of any such forms may be delivered by the use of any media, as shall be prescribed in the EPN Procedures or by FICC from time to time. FICC is proposing to delete the reference to EPN Procedures. In the event that FICC requires that a particular form should be delivered by use of any media, it is FICC’s existing practice to provide this information directly to the affected EPN User. To the extent that such requirement is applicable to a group or category of EPN Users, such EPN Users are made aware of FICC’s requirements because FICC announces such information through important notices, available at <http://www.dtcc.com/legal/important-notice>.

(3) Proposed Changes to Provide Enhanced Transparency to the EPN Rules

FICC is proposing to amend the EPN Rules to provide transparency to various provisions in the EPN Rules. The proposed changes would help ensure that the EPN Rules are clear and accurate. The proposed changes reflect MBSB’s existing practices and FICC believes that these changes would help EPN Users better understand their rights and obligations under the EPN Rules. The proposed changes are described in detail below.

a. Article I – Definitions and General Provisions

Proposed Changes to EPN Rule 1 – Definitions

FICC is proposing to amend the term “Message” to delete the reference to EPN Procedures. FICC would define this term as all electronic messages sent and received by an EPN User through the EPN Service.

b. Article II – Messages Processed by the Corporation

i. Proposed Changes to EPN Rule 1 – Accounts

Section 2 (*Limitations*) states that FICC may specify in the EPN Procedures that certain Messages between EPN Users are not eligible for the EPN Service. FICC is proposing to delete the reference to EPN Procedures and amend this section to state that certain Messages may be ineligible if FICC determines that such Messages are not submitted in a manner that is consistent with the communication links, formats, timeframes, and deadlines established by FICC.

Currently, an EPN User is informed of the requisite communication links, formats, timeframes, and deadlines when such EPN User’s application has been approved by MBSD. This information is communicated to all approved applicants during the membership onboarding process. The communication links and formats are also available in MBSD’s implementation guidelines at <http://www.dtcc.com/clearing-services/ficc-mbsd/ficc-mbsd-user-documentation>. The timeframes and deadlines are available at <http://www.dtcc.com/~media/Files/Downloads/Clearing-Services/FICC/MBSD/MBSD-Clearing-Schedules-and-Timeframes.pdf>.

ii. Proposed Changes to EPN Rule 2 – Reports

Section 1 (*Availability of Reports*) states that the Message Detail Report and the Message Summary Report are available at a time specified in the EPN Procedures. FICC

is proposing to delete the reference to EPN Procedures and amend this section to state that these reports would be available at a time specified in the time schedule posted on FICC's website. This proposed change refers to the timeframes available at <http://www.dtcc.com/~media/Files/Downloads/Clearing-Services/FICC/MBSD/MBSD-Clearing-Schedules-and-Timeframes.pdf>.

Section 2 (*Message Detail Report*) states that the Message Detail Report shall list the contents of each Message as described in the EPN Procedures. FICC is proposing to delete the reference to EPN Procedures and amend this section to state that for each Eligible Security, the Message Detail Report would include, but would not be limited to, the pool number, original face value, current face value, maturity date, pool factor, CUSIP Number, issue date, principal and interest, and total net money. In connection with this change, FICC is proposing to amend *Article I*, EPN Rule 1 (Definitions) to include a defined term for "CUSIP Number." This term would be defined as the Committee on Uniform Securities Identification Procedures identifying number for an EPN Eligible Security. The proposed change to this section would be consistent with the information that is currently included in the Message Detail Report.

Section 3 (*Message Summary Report*) states that the Message Summary Report shall list the contents of each Message as described in the EPN Procedures. FICC is proposing to delete the reference to EPN Procedures and amend this section to state that for each Eligible Security, the Message Summary Report would include, but would not be limited to, the total original face value, total net money, CUSIP Number, and summary of the number and type of Messages. The proposed change to this section would be

consistent with the information that is currently included in the Message Summary Report.

Section 5 (*Good Delivery; Time Stamps*) states that each EPN Message shall include one or more time stamps, one of which will include a good delivery time stamp as described in the EPN Procedures. FICC is proposing to delete the reference to “EPN” in the term “EPN Message” because “EPN Message” is not a defined term, however, “Message” is a defined term. FICC is also proposing to delete the reference to EPN Procedures. FICC is also proposing to amend this section to state that the good delivery time stamp would be referred to as “T2” and that the application of this time stamp would determine good delivery among EPN Users pursuant to the SIFMA Guidelines. The proposed change would also state that the remainder of the time stamps would be for the EPN Service’s operational, processing, and reporting purposes.¹⁷

In accordance with the SIFMA Guidelines, pool sellers use the EPN Service to transmit pool information in real-time to their pool buyer counterparties. Two Business Days prior to the established settlement date of to-be-announced settlement obligations (known as “48-Hour Day”), pool sellers that have an obligation to deliver pools to pool buyers must submit pool information that such pool sellers intend to allocate in satisfaction of their settlement obligation. This notification must occur by 3:00 p.m. on 48-Hour

¹⁷ Each Message reflects additional time stamps (e.g., T1, T3, T4, and T5) that are solely for FICC’s operational, processing and reporting purposes. T1 represents the time when the Message is received by the EPN Service for processing; T3 represents the time when the EPN Service’s Message Processor sends the Message to the Outbound Table; T4 represents the time when the Message Processor archives the Message; and T5 represents the time when the EPN Service’s Output Formatter writes the Message to the Outbound Table. The Message Processor, Outbound Table and the Output Formatter are operational components of the EPN Service.

Day.¹⁸ The 3:00 p.m. cut-off time establishes that good delivery has occurred for purposes of the established settlement date – meaning that, if a pool seller submits its pool information in a Message by the 3:00 p.m. cut-off time on 48-Hour Day, then the pool buyer is obligated to accept the mortgage pools on the settlement date. In the event that the pool seller’s notification does not meet the 3:00 p.m. deadline, the pool buyer will determine whether it is willing to accept the pools subsequent to the settlement date, and either the pool seller or the pool buyer will finance the mortgage pools until the delivery date. The delivery of the mortgage pools and any financing arrangement occur outside of the EPN Service.

Because the timing of each Message is important, the EPN system applies time stamps to each Message that is processed through the EPN Service. The time stamp designated as T2 establishes whether the pool seller has met good delivery – meaning, the 3:00 p.m. cut-off time on 48-Hour Day.¹⁹

In the event that the pool seller decides to substitute a mortgage pool for which pool information has already been provided, the pool seller must submit a cancel and correct Message by 12:15 p.m. on any Business Day prior to the delivery of the mortgage pool.²⁰ Upon receipt of the pool seller’s Message, the EPN system transmits the Message to the pool buyer. The T2 time stamp on the Message received by the pool buyer

¹⁸ See MBSD’s timeframes, available at <http://www.dtcc.com/~media/Files/Downloads/Clearing-Services/FICC/MBSD/MBSD-Clearing-Schedules-and-Timeframes.pdf>; and see the SIFMA Guidelines, Chapter 7, *supra* note 9.

¹⁹ In the event that a pool seller fails to submit its pool information, such pool seller’s obligation to submit the pool information remains ongoing until the pool information is submitted.

²⁰ *Supra* note 18.

establishes whether good delivery has occurred for purposes of the pool seller's pool substitution. In the event that the T2 time stamp on the pool buyer's Message is after 12:15 p.m., FICC is responsible for financing the mortgage pools associated with the Message until the delivery date so long as the T2 time stamp on the pool seller's Message reflects a time that is at or before 12:15 p.m. As set forth in subsection (4) below, FICC is proposing to establish one good delivery T2 time stamp that reflects the same processing time on the pool seller's Message and the pool buyer's Message, respectively. This T2 time stamp would determine whether the pool seller's cancel and correct Message has met the good delivery requirement.

c. Article III – EPN Users

Proposed Changes to EPN Rule 5 – Use of EPN Service

EPN Rule 5 states, in part, that all EPN Users will use the EPN Service for EPN Eligible Securities in a manner set forth in the EPN Procedures and that this shall be accomplished by providing (for each Message that an EPN User sends or receives) the pricing and other descriptive information, in the manner, and by the cut-off times, specified in the EPN Procedures. FICC is proposing to delete the references to EPN Procedures and amend this rule to state that the EPN User will use the EPN Service in a manner set forth in the EPN Rules and that this shall be accomplished by providing (for each Message that an EPN User sends or receives) the pricing and other descriptive information, in the manner, and by the times, specified on FICC's website. This information is communicated to all approved applicants during the membership onboarding process. The information that an EPN User is required to include in a Message is available at <http://www.dtcc.com/clearing-services/ficc-mbsd/ficc-mbsd-user->

[documentation.aspx](#), and the timeframes are available at

<http://www.dtcc.com/~media/Files/Downloads/Clearing-Services/FICC/MBSD/MBSD-Clearing-Schedules-and-Timeframes.pdf>.

(4) Proposed Change to the EPN System’s Processing of the Good Delivery T2 Time Stamp for Pool Substitutions

As described above in subsection (3)b.ii., if a pool seller decides to substitute a mortgage pool for which pool information has already been provided, the pool seller must submit a cancel and correct Message by 12:15 p.m. on any Business Day prior to the delivery of the mortgage pool. Upon receipt of the pool seller’s Message, the EPN system applies a T2 time stamp to the pool seller’s Message to reflect the time that the EPN system received the pool seller’s Message. The EPN system also applies a T2 time stamp to the pool buyer’s Message to reflect the time that the pool buyer received the pool seller’s Message. The T2 time stamp on the pool buyer’s Message establishes whether good delivery has occurred for purposes of the pool seller’s pool substitution. In the event that the T2 time stamp on the pool buyer’s Message reflects a time that is after 12:15 p.m., FICC is responsible for financing the mortgage pools that are associated with the Message until the next Business Day.²¹

FICC is proposing to establish one good delivery T2 time stamp that reflects the same processing time on the pool seller’s Message and the pool buyer’s Message, respectively. This time stamp would determine whether the 12:15 p.m. cut-off time has been met for purposes of establishing good delivery of the pool buyer’s pool substitution. As a result of this change, in the event that the T2 time stamp reflects a time that does not

²¹ To date, all Messages have met the established good delivery requirements, and as a result, FICC has not had to finance any mortgage pools.

meet the 12:15 p.m. cut-off time, the financing of the mortgage pools, if any, would be the responsibility of the counterparties to the Message as determined by such parties in accordance with the SIFMA Guidelines. FICC is proposing this change because it would be consistent with the SIFMA Guidelines and FICC believes that the parties to the Message are best positioned to ensure that the Message meets the good delivery requirements.

The proposed change would be consistent with FICC's proposal to amend Section 5 (Good Delivery; Time Stamps) in EPN Rule 2 (Reports) of *Article II (Messages Processed by the Corporation)* (as referenced above in subsection (3)b.ii.) to state that the good delivery time stamp would be referred to as "T2" and the application of this time stamp would determine good delivery among EPN Users pursuant to the SIFMA Guidelines.

The proposed change would not affect FICC's guarantee and novation of transactions submitted by Clearing Members through MBSB's Clearing System.

(5) Implementation of the Proposed Rule Changes

The proposed changes to (i) correct the EPN Rules (as described above in subsection (2)) and (ii) provide transparency to the EPN Rules (as described above in subsection (3)) would become operative on the date of the Commission's approval of this proposed rule change.

The proposed change to the EPN system's processing of the good delivery T2 time stamp for pool substitutions (as described above in subsection (4)) would become operative within 45 Business Days after the date of the Commission's approval of this proposed rule change. FICC would add a legend to *Article II (Messages Processed by the*

Corporation) that identifies the implementation date of the proposed change to Section 5 of EPN Rule 2.

2. Statutory Basis

Section 17A(b)(3)(F) of the Securities Exchange Act of 1934 (“Act”) requires, in part, that the EPN Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions.²²

The proposed changes to (i) correct the EPN Rules (as described above in subsection (2) of Item II.(A)1) and (ii) provide transparency to the EPN Rules (as described above in subsection (3) of Item II (A)1) would help to ensure that the EPN Rules are accurate and clear to EPN Users. When EPN Users better understand their rights and obligations regarding the EPN Service, such EPN Users are more likely to act in accordance with the EPN Rules, which FICC believes would promote the prompt and accurate clearance and settlement of securities transactions. As such, FICC believes that the proposed changes to correct and provide transparency to the EPN Rules would be consistent with Section 17A(b)(3)(F) of the Act.²³

The proposed change to established one good delivery T2 time stamp (as described above in subsection (4) of Item II (A)1) would be consistent with the SIFMA Guidelines and would further encourage EPN Users to adhere to the 12:15 p.m. deadline for substitutions. Because the proposed change would be consistent with the SIFMA Guidelines, which reflect industry best practices, FICC believes that the proposed change would help the seamless processing of transactions through the EPN Service. As a result,

²² 15 U.S.C. 78q-1(b)(3)(F).

²³ Id.

FICC believes the proposed change further promotes the prompt and accurate clearance and settlement of securities transactions. As such, FICC believes that the proposed change would be consistent with Section 17A(b)(3)(F) of the Act.²⁴

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.²⁵ As described above, the proposed rule changes to (i) correct the EPN Rules (as described above in subsection (2) of Item II (A)1), (ii) provide transparency to the EPN Rules (as described above in subsection (3) Item II (A)1) and (iii) amend the EPN system's processing of T2 time stamps for pool substitutions would better disclose all relevant and material aspects of the EPN Service. Therefore, FICC believes the proposed changes to correct and provide transparency to the EPN Rules are consistent with Rule 17Ad-22(e)(23)(i).²⁶

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

FICC does not believe the proposed rule changes to (i) correct the EPN Rules (as described above in subsection (2) of Item II(A)1) and (ii) provide transparency to the EPN Rules (as described above in subsection (3) of Item II(A)1) would impact competition. The proposed rule changes would help to ensure that the EPN Rules remain clear and accurate. In addition, the changes would facilitate EPN Users' understanding of the EPN Rules and their obligations thereunder. These changes would apply equally to all EPN Users and would not affect FICC's operations or the rights and obligations of

²⁴ Id.

²⁵ 17 CFR 240.17Ad-22(e)(23)(i).

²⁶ Id.

EPN membership. As such, FICC believes the proposed rule changes to correct and provide transparency to the EPN Rules would not have any impact on competition.

FICC believes that the proposed change to establish one good delivery T2 time stamp (as described above in subsection (4) of Item II(A)1) could have an impact on competition among the parties to the Message because either the pool seller or the pool buyer (as determined by the parties in accordance with the SIFMA Guidelines) would be responsible for financing the substituted mortgage pools associated with a Message that does not meet the good delivery requirements. FICC does not believe that the burden on competition would be significant because it would similarly affect both counterparties to a cancel and correct Message that does not meet the good delivery requirements in accordance with the SIFMA Guidelines.

FICC believes that any burden on competition that is created by the proposed change would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.²⁷ FICC believes that the proposed change would be necessary in furtherance of the Act because it would be consistent with the SIFMA Guidelines, which reflect best practices. The SIFMA Guidelines require either the pool seller or the pool buyer to take responsibility of the mortgage pools in the event that a cancel and correct Message does not meet good delivery requirements. FICC believes the proposed change would be appropriate in furtherance of the Act because EPN Users are parties to each Message, aware of the good delivery requirements and best positioned to ensure that cancel and correct Messages meet the good delivery requirements. As a result, FICC believes any burden on competition that is created by

²⁷ 15 U.S.C. 78q-1(b)(3)(I).

the proposed rule change would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.²⁸

(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

²⁸

Id.

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FICC-2018-007 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-2018-007. 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-2018-007 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.²⁹

Secretary

²⁹ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Bold and underlined text indicates proposed added language

~~Bold and 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.

* * * *

CUSIP Number

The term "CUSIP Number" means the Committee on Uniform Securities Identification Procedures identifying number for an EPN Eligible Security.

* * * *

~~EPN Procedures~~

~~The term "EPN Procedures" means EPN Procedures of the Corporation adopted pursuant to Rule 11 of Article V.~~

* * * *

EPN Service

The term "EPN Service" means the Corporation's electronic pool notification service that enables EPN Users to electronically communicate pool information, via Messages, to other EPN Users, as described in the Corporation's EPN Rules ~~and EPN Procedures~~.

* * * *

EPN User Profile

The term "EPN User Profile" means information submitted to the Corporation by an applicant on the form specified ~~by in~~ the Corporation's ~~EPN Procedures~~.

* * * *

Interested Person

The term "Interested Person" means a Participant, an EPN User or an applicant for membership, in the EPN Service, ~~Comparison Only System~~ or the Comparison and Clearing System.

* * * *

Messages

The term "Messages" means all electronic messages sent or received by an EPN User and processed through the EPN Service, ~~as detailed in the EPN Procedures.~~

* * * *

~~Par Amount~~

~~The term "Par Amount" means the face value (original principal amount) of a Security.~~

* * * *

Changes to Rule 2, Sec. 5 of this Article II, as amended by File No. SR-FICC-2018-007, are available at dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/FICC/SR-FICC-2018-007.pdf. These changes have been approved by the Securities and Exchange Commission but have not yet been implemented. By [insert date within 45 Business Days after the date of the Securities and Exchange Commission's approval order for File No. SR-FICC-2018-007], these changes will become operative and this legend will automatically be removed from this Article II.

ARTICLE II MESSAGES PROCESSED BY THE CORPORATION

Rule 1. Accounts

* * * *

Sec. 2. Limitations

Notwithstanding anything to the contrary herein, the Corporation may specify ~~in the EPN Procedures~~ that certain Messages between EPN Users are not eligible for the EPN Service or portions thereof and may in its discretion decline to act with respect to any Message or class of Messages **if such Messages are not submitted in a manner that is consistent with the communication links, formats, timeframes, and deadlines established by determined by** the Corporation.

Rule 2. Reports

Sec. 1. Availability of Reports.

The Corporation shall process data available to the Corporation as of the close of each Business Day and shall make available for each Account maintained by an EPN User, the reports outlined below. Such reports shall be available at a time specified in the **time schedule posted on the Corporation's website EPN Procedures**.

Sec. 2. Message Detail Report

Based on information available to the Corporation, the Message Detail Report shall list the contents of each Message. **For each EPN Eligible Security, the Message Detail Report shall include, but is not limited to, the pool number, original face value, current face value, maturity date, pool factor, CUSIP Number, issue date, principal and interest, and total net money as described in the EPN Procedures.**

Sec. 3. Message Summary Report

Based on information available to the Corporation, the Message Summary Report shall list the contents of each Message. **For each EPN Eligible Security, the Message Summary Report shall include, but is not limited to, the total original face value, total net money, CUSIP Number, and summary of the number and type of Messages as described in the EPN Procedures.**

* * * *

Sec. 5. Good Delivery; Time Stamps

Each EPN-Message shall be time stamped with one or more time stamps; **The time stamp designated as “T2” one of which will be a the good delivery time stamp, as described in the EPN Procedures.** The application of the good delivery time stamp shall be valid, binding and enforceable as a determination of good delivery **among EPN Users in accordance with the SIFMA Guidelines. The remaining time stamps will be for the EPN Service’s operational, processing and reporting purposes.**

* * * *

**ARTICLE III
EPN USERS**

Rule 1. Requirements Applicable to EPN Users

* * *

Sec. 3. Agreements of EPN Users

An applicant whose EPN User Profile, submitted for the purpose of becoming an EPN User, has been approved by the Corporation shall sign and deliver to the Corporation an EPN User Agreement whereby it agrees, in addition to such other things as the Corporation may specify:

(a) that the only service or system offered by the Corporation that it will utilize as an EPN User is the EPN Service;

(b) that, except to the extent waived by the Corporation, the applicant shall abide by the EPN Rules ~~and EPN Procedures of the Corporation~~ and shall be bound by all the provisions thereof, the applicant acknowledging that the Corporation shall have all of the rights and remedies contemplated by the EPN Rules ~~and EPN Procedures of the Corporation~~;

(c) that, except to the extent waived by the Corporation, the EPN Rules ~~and EPN Procedures of the Corporation~~ shall be a part of the terms and conditions of every contract or Message which the applicant, while an EPN User, may make or have with the Corporation and of every contract or Message into which the applicant, while an EPN User, may enter which relates to the EPN Service;

(d) that, upon becoming an EPN User, the applicant shall utilize the EPN Service for all Messages relating to EPN Eligible Securities, except for those Messages which the Corporation specifically exempts ~~in the EPN Procedures~~ and those Messages which both parties agree not to send through the EPN Service.

(e) that the applicant shall pay to the Corporation (i) the compensation specified in the fee schedules of the Corporation for services rendered to the applicant while an EPN User, (ii) such fines as may be imposed in accordance with the EPN Rules ~~and EPN Procedures of the Corporation~~ for the failure of the applicant, while an EPN User, to comply therewith, and (iii) such other amounts as may become payable to the Corporation by the applicant, while an EPN User, under the EPN Rules ~~and EPN Procedures of the Corporation~~; and

(f) that the applicant shall be bound by any amendment to the EPN Rules ~~or EPN Procedures of the Corporation~~ with respect to any Message occurring subsequent to the time such amendment takes effect as fully as though such amendment were a part of the EPN Rules ~~and EPN Procedures of the Corporation~~ at the time application is made; provided, however, that no such amendment shall affect the applicant's right to cease to be an EPN User.

Notwithstanding Section 3(d) of this Rule 1, in the event of an EPN system disruption and an extension of the cut-off times for communicating pool allocation information pursuant to SIFMA Guidelines, EPN Users ~~may~~**will** be relieved of their obligation to process Messages through the EPN Service until later in the Business Day or the beginning of the next Business Day after the EPN system has been recovered.

* * * *

Sec. 5. EPN Users Bound by EPN Rules, ~~EPN Procedures~~ and Applicable Laws

Subject to the provisions of Rule 12 of Article V, the use of the facilities of the Corporation by an EPN User shall constitute such EPN User's agreement with the Corporation and with all other EPN Users to be bound by the provisions of, and by any action taken or order issued by the Corporation pursuant to, these EPN Rules and any amendment thereto, ~~and to such EPN Procedures as the Corporation from time to time may adopt~~. In addition, in connection with their use of the Corporation's services, an EPN User must comply with all applicable laws, including applicable laws relating to securities, taxation, and money laundering.

Sec. 6. EPN Rules ~~and EPN Procedures~~ Incorporated in EPN User Messages

These EPN Rules ~~and the EPN Procedures adopted from time to time by the Corporation~~ shall be deemed incorporated in each Message that occurs through the EPN Service. To the extent that the terms contained in any other agreement between EPN Users are inconsistent with the provisions of these EPN Rules ~~or the EPN Procedures~~, these EPN Rules ~~and the EPN Procedures~~ shall be controlling.

* * * *

Rule 3. When the Corporation Declines to Act for an EPN User

Sec. 1. Ceasing to Act for an EPN User

The Corporation may at any time cease to act for an EPN User with respect to any Account or set of Accounts, a particular Message or Messages generally, in the event that (a) the EPN User has failed to perform its obligations to the Corporation or other EPN Users under these EPN Rules ~~or the EPN Procedures~~, (b) the Corporation has determined that the EPN User no longer meets all of the qualifications of Sections 1, 2 and 3 of Rule 1 of this Article III, (c) the Corporation has reasonable grounds to believe that the EPN User has been responsible for any fraudulent or dishonest conduct, or has made a material misstatement or omitted to state a material fact in any statement to any officer or employee of the Corporation in connection with any transaction processed or service furnished by the Corporation, (d) the EPN User has materially violated any of these EPN Rules ~~or the EPN Procedures~~ or any agreement with the Corporation, (e) the Corporation has reasonable grounds to believe that the EPN User is in or is approaching financial difficulty or will otherwise be unable to meet its obligations to the Corporation or other EPN Users, (f) the EPN User is also a Participant in the Corporation and the Corporation has ceased to act for that Participant; or (g) the Corporation has reasonable grounds to believe that such ceasing to act is necessary for the protection of investors or other EPN Users or to facilitate the orderly and continuous performance of the Corporation's services.

* * * *

Rule 4. Admission to Premises of Corporation; Powers of Attorney

No person shall be permitted to enter the premises of the Corporation as the representative of any EPN User unless such person ~~he~~ has first been approved by the Corporation and has been issued such credentials as the Corporation may from time to time prescribe and such credentials have not been canceled or revoked. Such credentials must be shown on demand, and may limit the portions of the premises to which access is permitted therewith. Any credentials issued pursuant to this Rule may be revoked at any time by the Corporation in its discretion, and prompt notice of such revocation shall be given to the employer of the person whose credentials have been so revoked.

* * * *

Rule 5. Use of the EPN Service

All EPN Users will use the EPN Service for EPN Eligible Securities in such manner as set forth in the EPN Rules ~~EPN Procedures~~. This shall be accomplished by providing, for each Message, the pricing and other descriptive information, in the manner, and by the cut-off times, specified on the Corporation's website ~~in the EPN Procedures~~. The EPN User that receives a Message may respond to such Message in the manner, and by the cut-off time, specified on the Corporation's website ~~in the EPN Procedures~~.

* * * *

**ARTICLE V
MISCELLANEOUS**

Rule 1. Action by the Corporation

Except where action by the Board of Directors, or any committee of the Board, is specifically required by the By-Laws or these EPN Rules, the Corporation may act by its President, any Managing Director or any **Executive Director** ~~Vice President~~ or by such person as may be designated from time to time by the Board of Directors.

* * * *

Rule 3. Fines and Other Sanctions

The Corporation may impose a fine on an EPN User for a violation of the EPN Rules ~~or EPN Procedures of the Corporation~~ or any order pursuant thereto or any agreement between the Corporation and the EPN User; for errors, delays or other conduct embarrassing the operations of the Corporation; or for not providing adequate facilities for its Messages with the Corporation or timely meeting its financial obligations to the Corporation. Fines imposed upon EPN Users for similar conduct occurring with similar frequency shall be uniform.

In addition, the Corporation shall have the right to suspend, expel, limit the activities, functions and operations of, censure or impose any other sanctions the Corporation may deem appropriate upon any EPN User for any such offense.

Rule 4. Communications

Sec. 1. Communications

Each EPN User maintaining an Account shall be required to maintain such data processing and communications equipment as the Corporation may specify **from time to time in** ~~the EPN Procedures~~ to effect the processing of Messages through the facilities of the Corporation and the receipt of reports, notices and other communications relating to such transactions prepared by the Corporation. The form of all reports (including the reports specified in these EPN Rules and any additional reports furnished by the Corporation), notices and other communications shall be prescribed from time to time by the Corporation.

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Rule 7. Hearings

Sec. 1. Requests for a Hearing.

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If the written statement contests the Corporation's determination that the Interested Person has violated an EPN Rule ~~or EPN Procedure~~, the statement must specifically admit or deny each violation alleged and detail the reasons why the EPN Rules ~~or EPN Procedures~~

alleged to have been violated are being contested. Any alleged violation not specifically denied shall constitute an admission to that violation. The Corporation may deny the statement if it fails to set forth a prima facie basis for contesting the violation.

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Rule 11. RESERVED FOR FUTURE USE ~~EPN Procedures~~

~~The Corporation from time to time shall adopt and distribute to EPN Users EPN Procedures with respect to matters specifically addressed in these EPN Rules and such other matters as the Corporation deems necessary or desirable in connection with the provision of services hereunder. Each EPN User shall be bound by such EPN Procedures and any amendment thereto in the same manner as it is bound by the provisions of these EPN Rules. EPN Users shall be given prompt notice in writing of any amendment to the EPN Procedures. In the event that, in the Corporation's reasonable judgment, any such amendment may materially increase the risks to EPN Users in the Corporation, the Corporation shall notify EPN Users of such amendment in writing at least 15 days prior to its effectiveness.~~

Rule 12. Waivers, Etc.

The time fixed by these EPN Rules, ~~the EPN Procedures or any regulations issued by the Corporation~~ for the doing of any act or acts may be extended or the doing of any act or acts required by these EPN Rules, ~~EPN Procedures or any regulations issued by the Corporation~~ may be waived or any provision of these EPN Rules, ~~the EPN Procedures or any regulations issued by the Corporation~~ may be suspended by the Board of Directors or by any Officer of the Corporation having a rank of **Executive Director Vice President** or higher whenever, in its or his judgment, such extension, waiver or suspension is necessary or expedient.

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Rule 17. Forms

In connection with any transactions or matters handled through, with or by the Corporation under or pursuant to the EPN Rules, such forms of lists, notices and other documents shall be used as the Corporation may from time to time prescribe, and additions to, changes in and elimination of any such forms may be made by the Corporation at any time in its discretion. In addition, any information required to be delivered to the Corporation by use of any such forms may be delivered by the use of any media, as shall be prescribed ~~in the EPN Procedures or~~ by the Corporation from time to time.

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