

## OMB APPROVAL

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 hours per response.....38

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 16

SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549  
 Form 19b-4

File No.\* SR - 2018 - \* 801

Amendment No. (req. for Amendments \*) 1

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) \*

☐

Rule

Pilot

☐

Extension of Time Period  
 for Commission Action \*

☐

Date Expires \*

☐ 19b-4(f)(1)

☐ 19b-4(f)(2)

☐ 19b-4(f)(3)

☐ 19b-4(f)(4)

☐ 19b-4(f)(5)

☐ 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) \*

☐

Section 3C(b)(2) \*

☐

Exhibit 2 Sent As Paper Document

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Exhibit 3 Sent As Paper Document

☐

## Description

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

## 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 04/25/2018

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.

dtemple@dtcc.com

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549	
For complete Form 19b-4 instructions please refer to the EFFT website.	
<div>Form 19b-4 Information *</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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.
<div>Exhibit 1 - Notice of Proposed Rule Change *</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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)
<div>Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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)
<div>Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications</div> <div><div>Add</div><div>Remove</div><div>View</div></div> <div>Exhibit Sent As Paper Document <input type="checkbox"/></div>	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.
<div>Exhibit 3 - Form, Report, or Questionnaire</div> <div><div>Add</div><div>Remove</div><div>View</div></div> <div>Exhibit Sent As Paper Document <input type="checkbox"/></div>	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.
<div>Exhibit 4 - Marked Copies</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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.
<div>Exhibit 5 - Proposed Rule Text</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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.
<div>Partial Amendment</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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.

**Amendment No. 1 to SR-FICC-2018-801****A. Overview**

Fixed Income Clearing Corporation (“FICC”) is filing this partial amendment (“Amendment No. 1”) to SR-FICC-2018-801 (the “Advance Notice Filing”), which was filed with the Securities and Exchange Commission (the “Commission”) on January 12, 2018.<sup>1</sup> The Advance Notice Filing would amend the Government Securities Division’s (“GSD”) Required Fund Deposit calculation to (1) amend the method of calculating the VaR Charge component; (2) add a new component referred to as the “Blackout Period Exposure Adjustment”; (3) eliminate the Blackout Period Exposure Charge and the Coverage Charge components; (4) amend the Backtesting Charge component; and (5) amend the calculation for determining the Excess Capital Premium. In addition, the proposed changes would provide transparency with respect to GSD’s existing authority to calculate and assess Intraday Supplemental Fund Deposit amounts.<sup>2</sup>

This Amendment No. 1 proposes to correct the calculation of “Excess Capital Premium” as it is described in the Advance Notice Filing. FICC is proposing this change because this term is described incorrectly in two sections of the Advance Notice Filing. The proposed amendment is further described in sections 1 and 3 of Item B. below.

This Amendment No. 1 also proposes to change the implementation timeline as it is described in the Advance Notice Filing. Specifically, the implementation timeline would be amended to state that the proposed changes (other than the changes that relate to the Blackout Period Exposure Adjustment and the Blackout Period Exposure Charge) would be operative approximately three (3) weeks after the later date of the Commission’s notice of no objection to the Advance Notice Filing and its approval of the related proposed rule change (the Proposed Rule Change,” together with the Advance Notice Filing, the “Filings”)<sup>3</sup> (the “Implementation

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<sup>1</sup> On March 2, 2018, the Commission published in the Federal Register the Advance Notice Filing for notice and comment. See Securities Exchange Act Release No. 82779 (February 26, 2018), 83 FR 9055 (March 2, 2018). On March 12, 2018, the Commission published in the Federal Register a notice of extension of review period of the Advance Notice Filing. See Securities Exchange Act Release No. 82820 (March 7, 2018), 83 FR 10761 (March 12, 2018).

<sup>2</sup> Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Advance Notice Filing or in the GSD Rules, as applicable.

<sup>3</sup> On January 12, 2018, FICC filed the Advance Notice Filing as a Proposed Rule Change (SR-FICC-2018-001) with the Commission pursuant to Section 19(b)(1) of the Act, 15 U.S.C. 78s(b)(1), and Rule 19b-4, 17 CFR 240.19b-4. A copy of the Proposed Rule Change is available at <http://www.dtcc.com/legal/sec-rule-filings.aspx>. On March 20, 2018, the Commission published in the Federal Register an order instituting proceedings to determine whether to approve or disapprove the Proposed Rule Change. See Securities Exchange Act Release No. 82876 (March 14, 2018), 83 FR 12229 (March 20, 2018).

Date”). FICC is proposing this change because FICC has been discussing the proposed changes with Netting Members since August 2017 in order to help Netting Members prepare for and understand why FICC proposed the rule changes. FICC is primarily concerned that the look-back period (that is currently used to calculate the VaR Charge and Margin Proxy) may not calculate sufficient Required Fund Deposit amounts to cover GSD’s exposure to a defaulting Netting Member. With respect to the Blackout Period Exposure Adjustment and the Blackout Period Exposure Charge, these proposed changes would be operative on a staggered basis beginning on the Implementation Date through the end of 2018 as further described below. FICC is proposing this change to address concerns raised by several Netting Members that the implementation of the proposed Blackout Period Exposure Adjustment would have a material impact on their liquidity planning and Required Fund Deposit amounts. FICC believes that the staggered implementation would give Netting Members the opportunity to assess and further prepare for the impact of the proposed Blackout Period Exposure Adjustment. FICC believes the proposed VaR Charge calculation and the existing Blackout Period Exposure Charge would appropriately mitigate the potential mortgage-backed securities pay-down on a short-term basis given FICC’s assessment of mortgage-backed securities pay-down projections for this calendar year.

The proposed amendment to the Implementation Date is further described in sections 3 and 4 of Item B. below.

## **B. Proposed Amendments**

1. Currently, the Advance Notice Filing mistakenly states that the Excess Capital Premium is determined based on the amount that a Netting Member’s Required Fund Deposit exceeds its Excess Capital. FICC is proposing to amend this statement to reflect that the Excess Capital Premium is determined based on the amount that a Netting Member’s VaR Charge exceeds its Excess Capital. In connection with this proposed amendment, please replace the text on page 25 of 232 of the Advance Notice Filing with the following text (**bold, double underlined** text represents additional language to the original proposed text; ~~**bold, double underlined**~~ text indicates deletions):

\* \* \* \*

Currently, the Excess Capital Premium is determined based on the amount that a Netting Member’s **VaR Charge** ~~**Required Fund Deposit**~~ exceeds its Excess Capital.<sup>57</sup> Only Netting Members that are brokers or dealers registered under Section 15 of the Act are required to report Excess Net Capital figures to FICC while other Netting Members report net capital or equity capital. If a Netting Member is not a broker/dealer, FICC would use net capital or equity capital, as applicable (based on the type of regulation that such Netting Member is subject to) in order to calculate its Excess Capital Premium.

\* \* \* \*

2. Currently, the Advance Notice Filing states that the proposal would become operative 45 business days after the later date of the Commission’s approval of the Proposed Rule Change and its notice of no objection to the Advance Notice Filing. FICC is proposing to

amend the operative date to state that the proposed changes, other than the Blackout Period Adjustment and the Blackout Period Exposure Charge, would become operative approximately three (3) weeks after the later date of the Commission's approval of the Proposed Rule Change and its notice of no objection to the Advance Notice Filing. The exact operative date (i.e., the Implementation Date) would be announced in an Important Notice available at <http://www.dtcc.com/legal/important-notice>.

With respect to the proposed Blackout Period Exposure Adjustment and the Blackout Period Exposure Charge, FICC would stagger the implementation of the proposed changes beginning on the Implementation Date through the end of 2018. Specifically, a Netting Member's Required Fund Deposit amount would include 50% of the calculated Blackout Period Exposure Adjustment and a 50% reduction of the calculated Blackout Period Exposure Charge. No later than September 30, 2018, a Netting Member's Required Fund Deposit amount would include 75% of the calculated Blackout Period Exposure Adjustment and 25% of the calculated Blackout Period Exposure Charge. No later than December 31, 2018, the full calculated Blackout Period Exposure Adjustment would apply, and FICC would eliminate the Blackout Period Exposure Charge.

In connection with the amendments described above in this section 2 of this Item B., please replace the text on page 29-30 of 232 of the Advance Notice Filing with the following text (**bold, double underlined** text represents additional language to the original proposed text; ~~**bold, double underlined**~~ text indicates deletions):

\* \* \* \*

#### **I. Delayed implementation of the proposed rule change**

~~The This~~ proposed rule changes (**other than with respect to the proposed Blackout Period Exposure Adjustment and the elimination of the Blackout Period Exposure Charge**) would become operative ~~45 business days~~ **approximately three weeks** after the later date of the Commission's notice of no objection to this advance notice filing (the "Advance Notice Filing") and its approval of the related proposed rule change.<sup>66</sup> **(together with this Advance Notice Filing, the "Filings"). The exact operative date (the "Implementation Date") would be announced to Netting Members in an Important Notice (available at <http://www.dtcc.com/legal/important-notice>). FICC is proposing this Implementation Date because FICC believes that Netting Members have been provided with sufficient time to review the proposed changes given that FICC submitted the Filings on January 12, 2018, and the Commission has extended the review period of the Filings.**

**With respect to the Blackout Period Exposure Adjustment and the Blackout Period Exposure Charge, the implementation would be staggered through the end of 2018. Specifically, beginning on the Implementation Date, FICC would calculate the Blackout Period Exposure Adjustment and the Blackout Period Exposure Charge, and a Netting Member's Required Fund Deposit amount would include 50% of the calculated Blackout Period Exposure Adjustment and a 50% reduction in the calculated Blackout Period Exposure Charge. No later than September 30, 2018, a**

Netting Member's Required Fund Deposit amount would include 75% of the calculated Blackout Period Exposure Adjustment and 25% of the calculated Blackout Period Exposure Charge. No later than December 31, 2018, the full calculated Blackout Period Exposure Adjustment would apply, and FICC would eliminate the Blackout Period Exposure Charge.

FICC believes that the staggered implementation would address concerns that the proposed Blackout Period Exposure Adjustment could have a material impact on Netting Members' liquidity planning and Required Fund Deposit amounts. FICC believes that the staggered implementation would give Netting Members the opportunity to assess and further prepare for the impact of the proposed Blackout Period Exposure Adjustment. The delayed implementation is designed to give Netting Members the opportunity to assess the impact that the proposed rule change would have on their Required Fund Deposit.

~~Prior to the effective date,~~ FICC is proposing to ~~would~~ add a legend to the GSD Rules to state that the specified changes to the GSD Rules are approved but not yet operative, and to provide the Implementation Date such approved changes would become operative. The legend would also include the file numbers of the approved proposed rule change and Advance Notice Filing and would state that once operative, the legend would automatically be removed from the GSD Rules.

\* \* \* \*

3. In connection with the proposed amendment described in section 1 of this Item B., please replace the text on page 80 of 232 of the Advance Notice Filing with the following text (**bold, double underlined** text represents additional language to the original proposed text; **bold, double strikethrough** text indicates deletions):

\* \* \* \*

Currently, the Excess Capital Premium is determined based on the amount that a Netting Member's VaR Charge ~~Required Fund Deposit~~ exceeds its Excess Capital.<sup>60</sup>

Only Netting Members that are brokers or dealers registered under Section 15 of the Act are required to report Excess Net Capital figures to FICC while other Netting Members report net capital or equity capital. If a Netting Member is not a broker/dealer, FICC would use net capital or equity capital, as applicable (based on the type of regulation that such Netting Member is subject to) in order to calculate its Excess Capital Premium.

\* \* \* \*

4. In connection with the proposed amendment described in section 2 of this Item B., please replace the text on page 86-87 of 232 of the Advance Notice Filing with the following text (**bold, double underlined** text represents additional language to the original proposed text; **~~bold, double strikethrough~~** text indicates deletions):

\* \* \* \*

**I. Delayed implementation of the proposed rule change**

~~The This~~ proposed rule changes (**other than with respect to the proposed Blackout Period Exposure Adjustment and the elimination of the Blackout Period Exposure Charge**) would become operative ~~45 business days~~ **approximately three weeks** after the later date of the Commission's notice of no objection to this Advance Notice and its approval of the related proposed rule change.<sup>69</sup> **(together with this Advance Notice, the "Filings"). The exact operative date (the "Implementation Date") would be announced to Netting Members in an Important Notice (available at <http://www.dtcc.com/legal/important-notices>). FICC is proposing this Implementation Date because FICC believes that Netting Members have been provided with sufficient time to review the proposed changes given that FICC submitted the Filings on January 12, 2018, and the Commission has extended the review period of the Filings.**

**With respect to the Blackout Period Exposure Adjustment and the Blackout Period Exposure Charge, the implementation would be staggered through the end of 2018. Specifically, beginning on the Implementation Date, FICC would calculate the Blackout Period Exposure Adjustment and the Blackout Period Exposure Charge, and a Netting Member's Required Fund Deposit amount would include 50% of the calculated Blackout Period Exposure Adjustment and a 50% reduction in the calculated Blackout Period Exposure Charge. No later than September 30, 2018, a**

Netting Member's Required Fund Deposit amount would include 75% of the calculated Blackout Period Exposure Adjustment and 25% of the calculated Blackout Period Exposure Charge. No later than December 31, 2018, the full calculated Blackout Period Exposure Adjustment would apply, and FICC would eliminate the Blackout Period Exposure Charge.

FICC believes that the staggered implementation would address concerns that the proposed Blackout Period Exposure Adjustment could have a material impact on Netting Members' liquidity planning and Required Fund Deposit amounts. FICC believes that the staggered implementation would give Netting Members the opportunity to assess and further prepare for the impact of the proposed Blackout Period Exposure Adjustment. ~~The delayed implementation is designed to give Netting Members the opportunity to assess the impact that the proposed rule change would have on their Required Fund Deposit.~~

~~Prior to the effective date,~~ FICC is proposing to ~~would~~ add a legend to the GSD Rules to state that the specified changes to the GSD Rules are approved but not yet operative, and to provide the Implementation Date such approved changes would become operative. The legend would also include the file numbers of the approved proposed rule change and Advance Notice Filing and would state that once operative, the legend would automatically be removed from the GSD Rules.

\* \* \* \*

5. In connection with the proposed amendment regarding the Implementation Date, please replace the text on pages 135 through 142 of 232 of the Advance Notice Filing with the following text (bold, double underlined text represents additional language to the original proposed text; ~~bold, double strikethrough~~ text indicates deletions; shaded text indicates language that will be operative on a different timeline, as described in the legends below):



**EXHIBIT 5**

**Bold and underlined text** indicates proposed added language

**~~Bold and strikethrough text~~** indicates proposed deleted language

**FIXED INCOME CLEARING CORPORATION**

**GOVERNMENT SECURITIES DIVISION RULEBOOK**

## RULE 1 – DEFINITIONS

Approved but not yet operative changes to this Rule 1, as amended by File Nos. SR-FICC-2018-001 and SR-FICC-2018-801, are set forth below.

**Group A Changes:** Underlined and boldface text indicates added language. Strikethrough and boldface text indicates deleted language. These changes will become operative on [the Corporation will insert an implementation date that is approximately three weeks ~~within 45 Business Days~~ after the later date of the SEC’s approval order of File No. SR-FICC-2018-001 and notice of no objection to File No. SR-FICC-2018-801 (the “Implementation Date”)]. Once operative, this Group A Changes legend will automatically be removed from the Rules and the formatting of the text of the changes in this Rule 1 will automatically be revised to reflect that these changes are operative.

**Group B Changes:** Shaded, underlined and boldface text indicates added language. Shaded, strikethrough and boldface text indicates deleted language. As of [the Corporation will insert the Implementation Date], these changes will become operative as follows: a Netting Member’s Required Fund Deposit amount will include 50% of the calculated Blackout Period Exposure Adjustment and a 50% reduction in the calculated Blackout Period Exposure Charge. No later than September 30, 2018, a Netting Member’s Required Fund Deposit amount will include 75% of the calculated Blackout Period Exposure Adjustment and 25% of the calculated Blackout Period Exposure Charge. No later than December 31, 2018, the full Blackout Period Exposure Adjustment will apply, and the Corporation will eliminate the Blackout Period Exposure Charge. Once fully operative, this Group B Changes legend will automatically be removed from the Rules and the formatting of the text of the changes in this Rule 1 will automatically be revised to reflect that these changes are operative.

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

\* \* \* \*

### Backtesting Charge

The term “Backtesting Charge” means an additional charge that may be added to a Netting Member’s VaR Charge to mitigate exposures to the Corporation caused by settlement risks that may not be adequately captured by the Corporation’s portfolio volatility model. The Corporation may assess this charge on a Netting Member’s start of the day portfolio (the “Regular Backtesting Charge”) and/or its intraday portfolios (the “Intraday Backtesting Charge”), as needed, to enable the Corporation to achieve its backtesting coverage target. The Regular Backtesting Charge and the Intraday Backtesting Charge may apply to Netting Members that have 12-month trailing backtesting coverage below the 99 percent backtesting coverage target, excluding deficiencies attributable to Blackout Period exposures. The Regular Backtesting Charge and the Intraday Backtesting Charge, as applicable, shall generally be equal to the Netting Member’s third largest deficiency that occurred during

the previous 12 months, ~~excluding any deficiencies attributable to Blackout Period exposures.~~ Deficiencies attributable to Blackout Period exposures would be included only during the Blackout Period. The Corporation may in its discretion adjust such charge if the Corporation determines that circumstances particular to a Netting Member's settlement activity and/or market price volatility warrant a different approach to determining or applying such charge in a manner consistent with achieving the Corporation's backtesting coverage target.

\* \* \* \*

### **Blackout Period Exposure Adjustment**

The term "Blackout Period Exposure Adjustment" means an additional charge or a reduction that may be added to a GCF Counterparty's VaR Charge to mitigate exposures to the Corporation that may arise due to potential overvaluation of mortgage-backed securities pledged to collateralize GCF Repo Transactions during the Blackout Period. The Blackout Period Exposure Adjustment shall apply to GCF Counterparties that are exposed to potential overvaluation of mortgage-backed securities pledged as collateral during the Blackout Period. The Blackout Period Exposure Adjustment shall be based on a projected average pay-down rate of the applicable mortgage-backed securities. The Corporation may in its discretion adjust or waive such adjustment if the Corporation determines that circumstances particular to the GCF Counterparty's use of mortgage-backed security pledges or to the mortgage-backed securities so pledged warrant a different approach to determining or applying such adjustment in a manner consistent with achieving the Corporation's backtesting coverage target.

### **Blackout Period Exposure Charge**

~~The term "Blackout Period Exposure Charge" means an additional charge that may be added to a GCF Counterparty's VaR Charge to mitigate exposures to the Corporation that may arise due to potential overvaluation of mortgage-backed securities pledged to collateralize GCF Repo Transactions during the Blackout Period. The Blackout Period Exposure Charge shall apply to GCF Counterparties that have 12-month trailing backtesting coverage below 99 percent where two or more historical deficiencies are determined by the Corporation to have been caused by overvaluation of mortgage-backed securities pledged as collateral during the Blackout Period. The Blackout Period Exposure Charge shall generally be equal to the midpoint between the GCF Counterparty's largest two deficiencies occurring during the Blackout Period. The Corporation may in its discretion adjust or waive such charge if the Corporation determines that circumstances particular to the GCF Counterparty's use of mortgage-backed security pledges or to the mortgage-backed securities so pledged warrant a different approach to determining or applying such charge in a manner consistent with achieving the Corporation's backtesting coverage target. A GCF Counterparty that is subject to the charge may notify the Corporation in writing that it will discontinue or materially reduce its mortgage-~~

~~backed security pledges, and, if it promptly takes such action, FICC shall waive or reduce the charge accordingly.~~

\* \* \* \*

### **Coverage Charge**

~~The term “Coverage Charge” means with respect to a Netting Member’s Required Fund Deposit, an additional charge to bring the Member’s coverage to a targeted confidence level.~~

\* \* \* \*

### **Excess Capital**

~~The term “Excess Capital” means Excess Net Capital, net assets or equity capital as applicable, to a Netting Member based on its type of regulation.~~

\* \* \* \*

### **Excess Capital Ratio**

The term “Excess Capital Ratio” means the quotient, rounded to the nearest two decimal places, resulting from dividing the amount of a Netting Member’s VaR Charge by the amount of its ~~Excess~~ Netting Member Capital that it maintains.

\* \* \* \*

### **Intraday Supplemental ~~Clearing~~ Fund Deposit**

The term “Intraday Supplemental ~~Clearing~~ Fund Deposit” means the additional deposit to the Clearing Fund required by the Corporation from a Member intraday pursuant to the provisions of Rule 4

\* \* \* \*

### **Margin Proxy**

The term “Margin Proxy” means, with respect to each Margin Portfolio, ~~a minimum-an~~ alternative volatility calculation for specified Net Unsettled Positions of a Netting Member, calculated using historical market price changes of such U.S. Treasury and agency pass-through mortgage-backed securities indices determined by the Corporation. The Margin Proxy would be applied by the Corporation as an ~~adjustment~~ alternative to the model-based volatility calculation of the VaR Charge for each Netting Member’s Margin Portfolio. The Margin Proxy shall cover such range of historical market price moves and parameters as the Corporation from time to time deems appropriate.

\* \* \* \*

**Netting Member Capital**

**The term “Netting Member Capital” means Net Capital, net assets or equity capital as applicable, to a Netting Member based on its type of regulation.**

\* \* \* \*

**VaR Charge**

The term “VaR Charge” means, with respect to each Margin Portfolio, a calculation of the volatility of specified Net Unsettled Positions of a Netting Member as of the time of such calculation. Such volatility calculations shall be made in accordance with any generally accepted portfolio volatility model, including, but not limited to, any margining formula employed by any other clearing agency registered under Section 17A of the Securities Exchange Act of 1934. Such calculation shall be made utilizing such assumptions (including confidence levels) and based on such observable market data as the Corporation deems reasonable, and shall cover such range and assessment of volatility as the Corporation from time to time deems appropriate. ~~If, with respect to the Margin Portfolio of a Netting Member, the model-based volatility calculation pursuant to this definition results in a lower amount than the Margin Proxy calculated for that Margin Portfolio, then the Margin Proxy will be applied as the VaR Charge.~~ To the extent that the primary source of such market data becomes unavailable for an extended period of time, the Corporation shall utilize the Margin Proxy as an alternative volatility calculation. If the volatility calculation is lower than an amount designated by the Corporation (the “VaR Floor”) then the VaR Floor will be utilized as such Clearing Member’s VaR Charge. Such VaR Floor will be determined by multiplying the absolute value of the sum of Net Long Positions and Net Short Positions of Eligible Securities, grouped by product and remaining maturity, by a percentage designated by the Corporation from time to time for such group. For U.S. Treasury and agency securities, such percentage shall be a fraction, no less than 10%, of the historical minimum volatility of a benchmark fixed income index for such group by product and remaining maturity. For mortgage-backed securities, such percentage shall be a fixed percentage that is no less than 0.05%.

\* \* \* \*

## RULE 4 – CLEARING FUND AND LOSS ALLOCATION

Approved but not yet operative changes to this Rule 4, as amended by File Nos. SR-FICC-2018-001 and SR-FICC-2018-801, are set forth below.

**Group A Changes:** Underlined and boldface text indicates added language. Strikethrough and boldface text indicates deleted language. These changes will become operative on [the Corporation will insert an implementation date that is approximately three weeks ~~within 45 Business Days~~ after the later date of the SEC’s approval order of File No. SR-FICC-2018-001 and notice of no objection to File No. SR-FICC-2018-801 (the “Implementation Date”)]. Once operative, this Group A Changes legend will automatically be removed from the Rules and the formatting of the text of the changes in this Rule 4 will automatically be revised to reflect that these changes are operative.

**Group B Changes:** Shaded, underlined and boldface text indicates added language. Shaded, strikethrough and boldface text indicates deleted language. As of [the Corporation will insert the Implementation Date], these changes will become operative as follows: a Netting Member’s Required Fund Deposit amount will include 50% of the calculated Blackout Period Exposure Adjustment and a 50% reduction in the calculated Blackout Period Exposure Charge. No later than September 30, 2018, a Netting Member’s Required Fund Deposit amount will include 75% of the Blackout Period Exposure Adjustment and 25% of the calculated Blackout Period Exposure Charge. No later than December 31, 2018, the full Blackout Period Exposure Adjustment will apply, and the Corporation will eliminate the Blackout Period Exposure Charge. Once fully operative, this Group B Changes legend will automatically be removed from the Rules and the formatting of the text of the changes in this Rule 4 will automatically be revised to reflect that these changes are operative.

\* \* \* \*

### Section 1b – Unadjusted GSD Margin Portfolio Amount

(a) Each Business Day, the Corporation shall determine, with respect to each Margin Portfolio, an Unadjusted GSD Margin Portfolio Amount as the sum of the following:

(i) the VaR Charge,

**plus**

~~(ii) the Coverage Charge,~~

minus

(iii) in the case of a Margin Portfolio of a Cross Margining Participant that is subject to one or more Cross-Margining Arrangements, in the discretion of the Corporation, an amount not to exceed the sum of any applicable Cross Margining Reductions, calculated on the current Business Day for such Cross-Margining Participant in accordance with the applicable Cross-Margining Agreements,

plus

(iii) in the case of a Margin Portfolio of a GCF Counterparty, the GCF Premium Charge and/or GCF Repo Event Premium and/or the Early Unwind Intraday Charge, if applicable,

**plus or minus**

**(iv) in the case of a Margin Portfolio of a GCF Counterparty, the Blackout Period Exposure Adjustment, if applicable, during the monthly Blackout Period or until the applicable GCF Clearing Agent Bank updates the Pool Factors used for collateral valuation.**

plus

**(v) in the case of a Margin Portfolio of a GCF Counterparty with backtesting deficiencies, the Blackout Period Exposure Charge, if applicable, during the monthly Blackout Period and until the applicable GCF Clearing Agent Bank updates the Pool Factors used for collateral valuation,**

**plus**

(vi)—in the case of a Netting Member with backtesting deficiencies, the Backtesting Charge, if applicable,

plus

(vii) the Holiday Charge, if applicable, on the Business Day prior to a Holiday.

The Corporation shall determine a separate Unadjusted GSD Margin Portfolio Amount for a Netting Member's Market Professional Cross-Margining Account.

The Corporation shall have the discretion to not apply the VaR calculation(s) to ~~u~~Net ~~u~~Unsettled ~~p~~Positions in classes of securities whose volatility is less amenable to statistical analysis, or to Term Repo Transactions and Forward-Starting Repo Transactions (including term and forward-starting GCF Repo Transactions) whose term repo rate volatility is less amenable to statistical analysis. In lieu of such calculation, the component required with respect to such transactions shall instead be determined **utilizing a haircut method** based on a historic index volatility model.

The Corporation shall take into account the VaR confidence level applicable to the Member in calculating the VaR Charge ~~and Coverage Charge~~. In the case of a Margin Portfolio containing accounts of Permitted Margin Affiliates, the Corporation shall apply the highest VaR confidence level applicable to the Member or its Permitted Margin Affiliates.

**When the Margin Proxy is applied as the VaR Charge, the Corporation shall reduce the Coverage Charge up to the amount that the Margin Proxy exceeds the sum of the**

**~~model-based volatility calculation and the Coverage Charge, but not by an amount greater than the total Coverage Charge.~~**

The Corporation shall have the discretion to calculate an additional amount (“special charge”) applicable to a Margin Portfolio as determined by the Corporation from time to time in view of market conditions and other financial and operational capabilities of the Member. The Corporation shall make any such determination based on such factors as the Corporation determines to be appropriate from time to time.

The Corporation shall calculate the Unadjusted GSD Margin Portfolio Amount applicable to a Sponsoring Member Omnibus Account, and the Sponsoring Member Omnibus Account Required Fund Deposit, subject to the provisions set forth in Section 10 of Rule 3A.

The minimum Clearing Fund requirement applicable to an Inter-Dealer Broker Netting Member or a Netting Member that maintains one or more Broker Accounts shall at all times be no less than \$5 million.

Once applicable minimum Clearing Fund amounts have been applied, the Corporation shall apply any applicable additional payments, charges and premiums set forth in these Rules.

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