

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 28

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

File No. \* SR 2022 - \* 007

Amendment No. (req. for Amendments \*)

Filing by Fixed Income Clearing Corporation

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule <input type="checkbox"/> 19b-4(f)(1) <input checked="" type="checkbox"/> 19b-4(f)(4) <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)		
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Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010  
Section 806(e)(1) \*

Section 806(e)(2) \*

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934  
Section 3C(b)(2) \*

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

**Description**

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

Change to Clarify and Update GSD Rules, MBSD Rules and EPN 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 \*  Last Name \*

Title \*

E-mail \*

Telephone \*  Fax

**Signature**

Pursuant to the requirements of the Securities Exchange of 1934, Fixed Income Clearing Corporation has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date  (Title \*)

By  (Name \*)

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

Date: 2022.10.07  
13:22:40 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

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Narrative - FICC Clean-up Filing - Fina

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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Exhibit 1A - FICC Clean-up Filing - Fir

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 Advanced Notice by Clearing Agencies \***

Add Remove View

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

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

Add Remove View

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 Sent As Paper Document

**Exhibit 3 - Form, Report, or Questionnaire**

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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 Sent As Paper Document

**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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Exhibit 5 - FICC Clean-up Filing - Fina

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

**Partial Amendment**

Add Remove View

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

## **1. Text of the Proposed Rule Change**

(a) The proposed rule change of Fixed Income Clearing Corporation (“FICC”) annexed hereto as Exhibit 5 consists of modifications to the FICC Government Securities Division (“GSD”) Rulebook (“GSD Rules”), the FICC Mortgage-Backed Securities Division (“MBSD”) Clearing Rules (“MBSD Rules”) and the Electronic Pool Notification (“EPN”) Rules of MBSD (“EPN Rules,” and together with the GSD Rules and the MBSD Rules, the “Rules”).

Specifically, the proposed rule change would (i) clarify GSD Rules, MBSD Rules and EPN Rules concerning admission to FICC premises, (ii) update EPN Rules related to FICC’s maintenance of fidelity insurance bond, (iii) remove outdated EPN Rules related distribution facilities, and (iv) clarify GSD Rules and MBSD Rules concerning Settling Banks’ ability to refuse to settle. The proposed changes are designed to clarify and update certain sections of the Rules and enhance the transparency of those Rules by conforming, as appropriate, provisions in certain sections of the Rules with similar rules of FICC’s affiliates, as described in greater detail below.<sup>1</sup>

(b) Not applicable.

(c) Not applicable.

## **2. Procedures of the Self-Regulatory Organization**

The proposed rule change was approved by the Deputy General Counsel of FICC on October 5, 2022 pursuant to delegated authority from FICC’s Board of Directors.

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

(a) Purpose

FICC is proposing to clarify and update the Rules and enhance the transparency of those Rules through modifications related to (i) credentials required to access the premises of FICC, (ii) FICC’s maintenance of a fidelity insurance bond, (iii) existence of distribution facilities of FICC, and (iv) clarification of Settling Banks’ and Cash Settling Banks’ ability to refuse to settle for itself.

First, the proposed changes would enhance the transparency of these Rules by providing participants of FICC with updated, clear information. Second, the proposed changes would simplify and update these Rules by removing information that either (a) describes internal processing and does not provide participants with important information regarding any applicable service, or (b) no longer describes FICC’s current operations. Finally, the proposed changes would conform those Rules with similar rules of FICC affiliates, The Depository Trust

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<sup>1</sup> Capitalized terms not otherwise defined herein are defined in the MBSD Rules, GSD Rules, and the EPN Rules, as applicable, available at <http://www.dtcc.com/legal/rules-and-procedures>.

Company (“DTC”) and National Securities Clearing Corporation (“NSCC,” and, together with FICC and DTC, the “Clearing Agencies”), where appropriate.

The proposed changes are discussed in detail below.

(i) Admission to FICC Premises

First, FICC is proposing to revise GSD Rule 27 (Admissions to Premises of the Corporation, Powers of Attorney, ETC.), MBSD Rule 20 (Admissions to Premises of the Corporation, Powers of Attorney, ETC.) and EPN Rule 4 of Article III,<sup>2</sup> (Admission to Premises of Corporation; Powers of Attorney), which provide for the approval and subsequent revocation of access to FICC’s premises by a participant’s employee, or a person to whom a power of attorney or other authorization has been given to act for a participant, in connection with the work of FICC. The proposed changes to these Rules would add information regarding the need for any representative of a participant to prominently display credentials to gain entry and remain on the premises of FICC. The proposed rule change of EPN Rule 4 of Article III also clarifies the need to provide FICC with immediate notice of a change of circumstances resulting in the revocation of such credentials. The proposed changes further outline FICC’s processes for allowing participants onto FICC’s premises and, therefore, enhance the transparency of these Rules. The proposed change would allow FICC to continue to monitor and ensure the safety of its employees and guests, while clarifying expectations for participants and representatives of participants while on FICC premises.

In addition, the proposed rule change would conform GSD Rule 27, MBSD Rule 20 and EPN Rule 4 of Article III with DTC Rule 17 and NSCC Rule 27.<sup>3</sup> By conforming the descriptions in similar rules across the Clearing Agencies where there is no difference in FICC’s processes and therefore no need for differing language, the proposed changes would improve predictability and transparency for visitors of FICC.

(ii) Maintenance of Fidelity Bond

Next, FICC is proposing to revise EPN Rule 6, Section 3 of Article V (*Fidelity Bond*) which currently provides for FICC’s maintenance of fidelity bond coverage in an amount of not less than \$10,000,000. FICC is proposing to amend this rule to replace the existing language with a more general description of FICC’s obligation to maintain appropriate insurance, including fidelity bonds, related to its business, to provide access to such insurance policies or contracts to EPN Users and to notify each EPN User and the U.S. Securities and Exchange Commission (“Commission”) of any material reduction in such insurance coverage. FICC is proposing to replace the current language of this rule with a more general description because FICC does not believe the current rule provides EPN Users with important information regarding their rights and obligations, or FICC’s rights and obligations, in connection with this obligation

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<sup>2</sup> All references to “Articles” herein shall refer to Articles of the EPN Rules, supra note 1.

<sup>3</sup> The DTC Rules and NSCC Rules are available on DTCC’s public website, available at <https://www.dtcc.com/legal/rules-and-procedures>.

to maintain insurance coverage. In general, FICC maintains a significantly higher amount of fidelity bond coverage than that required in this rule.

In addition, the proposed changes would conform the language of EPN Rule 6, Section 3 of Article V with those of MBSD Rule 25, DTC Rule 14, and NSCC Rule 34 and GSD Rules 34.<sup>4</sup> By conforming the descriptions in similar rules across the Clearing Agencies where there is no difference in FICC's processes and therefore no need for differing language, the proposed changes would improve predictability and transparency for firms that are participants with multiple Clearing Agencies.

(iii) *Distribution Facilities*

FICC is also proposing to change the EPN Rules by deleting EPN Rule 20 of Article V (Distribution Facilities) because it does not currently maintain such facilities and has no plans to do so. Therefore, this proposed change would reflect FICC's current processes and improve the clarity the EPN Rules.

EPN Rule 20 of Article V currently states that FICC may, if it deems necessary, establish distribution facilities "for the distribution of papers, documents and other material incidental to the ordinary course of business" to be used by EPN Users. To FICC's knowledge, FICC has not utilized such option and based on current FICC processes and procedures, FICC does not believe it would be necessary to establish such facilities in the future. As such, the proposed change would not impede any EPN Users from engaging in the services or have an adverse impact on such firms.

(iv) *Settlement by Settling Banks and Cash Settling Banks*

Lastly, FICC is proposing to revise GSD Rule 13, Section 5(b) (*Funds-Only Settlement Amount Payment Process*) and MBSD Rule 11, Section 9(b) (*Cash Settlement*) to clarify that a Settling Bank and a Cash Settling Bank, respectively, may not refuse to settle for itself.

GSD Rule 13, Section 5(b) currently provides that Funds-Only Settling Banks must acknowledge to FICC by a certain time their intention to either settle their Net Funds-Only Settlement Figures or their refusal to settle for one or more Netting Members. MBSD Rule 11, Section 9(b) currently provides that Cash Settling Banks must acknowledge to FICC by a certain time their intention to either settle their Total Debit Cash Balance Figures and Total Credit Cash Balance Figures or their refusal to settle for one or more particular Member.

The proposed change to these rules, would clarify that a Settling Bank and a Cash Settling Bank cannot refuse to settle for itself. The proposed change would codify a longstanding practice and understanding among participants of the Clearing Agencies. As Netting Members and Members have an ongoing responsibility to settle their own obligations, a Netting Member or Member who serves as a Settling Bank or Cash Settling Bank, respectively, would carry the same responsibility on its own behalf. More specifically, GSD Rule 13, Section 5(e) states that if the Funds-Only Settling Bank does not acknowledge, or sends a refusal

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<sup>4</sup> Id.

regarding, the Netting Member's Funds-Only Settlement Amount that is a debit or if the Funds-Only Settling Bank acknowledges the amount but then does not settle the payment, the Netting Member shall remain obligated, pursuant to the Rules, to pay such Amount by the payment deadline.<sup>5</sup> MBSD Rule 11, Section 9(e) states that if the Cash Settling Bank does not acknowledge, or sends a refusal regarding, the Member's Cash Settlement amount that is a debit or if the Cash Settling Bank acknowledges the amount but then does not settle the payment, the Member shall remain obligated, pursuant to the Rules, to pay such Cash Settlement amount by the payment deadline.<sup>6</sup> Therefore, if Settling Bank or a Cash Settling Bank is a Netting Member or a Member, respectively, it would be subject, as a Netting Member or Member, to the obligation to settle on its own behalf pursuant to the obligations of Netting Members and Member under the Rules cited above. While a Settling Bank and Cash Settling Bank may refuse to settle for another participant that has engaged it as a settling bank, in which case, the participant's obligation to settle on its own behalf would be triggered, it cannot refuse to settle for itself.

The proposed change would clarify and increase transparency of these Rules. In addition, the proposed change would conform GSD Rule 13, Section 5(b) and MBSD Rule 11, Section 9(b) with DTC Rule 9D and NSCC Rule 55, which state in clearer terms that settling banks cannot refuse to settle on its own behalf.

(b) Statutory Basis

Section 17A(b)(3)(F) of the Securities Exchange Act of 1934, as amended ("Act") requires, in part, that the Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions and to protect investors and the public interest.<sup>7</sup>

FICC believes the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions by FICC, consistent with the requirements of the Act, in particular Section 17A(b)(3)(F), cited above.<sup>8</sup> Specifically, the proposed rule changes concerning *Admission to FICC's Premises* and *Settlement by Settling Banks and Cash Settling Banks* would update and clarify these Rules by codifying settled processes and provide transparency thereby allowing participants to conduct their business more efficiently and effectively in accordance with the Rules, which FICC believes would promote the prompt and accurate clearance and settlement of securities transactions. The proposed rule change regarding *Distribution Facilities* would remove an outdated rule related to inactive services in reference to distribution facilities. This proposed change is designed to improve the accuracy, clarity, and transparency of the Rules and thereby allow participants to conduct their business more efficiently and effectively in accordance with the Rules, which FICC believes would promote the

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<sup>5</sup> See supra note 1.

<sup>6</sup> Id.

<sup>7</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>8</sup> Id.

prompt and accurate clearance and settlement of securities transactions. The proposed rule change related to FICC's *Maintenance of Fidelity Bond* is designed to simplify and update this rule by removing information that describes internal processes and does not provide participants with important information regarding FICC's maintenance of appropriate insurance coverage.

By updating, clarifying and improving the transparency of the Rules, the proposed changes would allow participants to better understand their rights and obligations under the Rules. As such, FICC believes the proposed rule changes would promote the prompt and accurate clearance and settlement of securities transactions and assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible, consistent with the requirements of Section 17A(b)(3)(F).<sup>9</sup>

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

FICC does not believe that the proposed rule changes would have any impact on competition, because the proposed changes to (1) enhance transparency of the Rules, (2) change language that does not provide participants with important information regarding any service, (3) update the Rules to reflect current practice, and (4) conform the Rules across FICC's divisions and the Clearing Agencies, where appropriate, would not materially alter the respective rights or obligations of FICC or its participants. These proposed changes would allow participants to better understand FICC's internal processes by adding information to the Rules, update the Rules by removing services that are not provided and establish conformity across FICC's divisions and Clearing Agencies, where applicable. As such, the proposed changes would not impede participants from engaging in the services or have an adverse impact on any participants. Therefore, FICC believes the proposed rule changes would not have any impact on competition.

#### **5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

FICC has not received or solicited any written comments relating to this proposal. If any written comments are received, they will be publicly filed as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission's instructions on how to submit comments, available at <https://www.sec.gov/regulatory-actions/how-to-submitcomments>. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at [tradingandmarkets@sec.gov](mailto:tradingandmarkets@sec.gov) or 202-551-5777.

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<sup>9</sup> Id.

FICC reserves the right not to respond to any comments received.

**6. Extension of Time Period for Commission Action**

Not applicable.

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

(a) The proposed rule changes are to take effect immediately upon filing pursuant to paragraph A of Section 19(b)(3) of the Act<sup>10</sup> and subparagraph (f)(4) of Rule 19b-4<sup>11</sup> thereunder.

(b) The proposed rule change would not (i) adversely affect the safeguarding of securities or funds in the custody or control of FICC or (ii) significantly affect the rights or obligations of users of FICC's services because the proposed change would primarily clarify and update the existing Rules, in addition to providing consistency for participants across FICC's divisions.

(c) Not applicable.

(d) Not applicable.

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

The proposed rule change to GSD Rule 27, MBSD Rule 20 and EPN Rule 4 of Article III would conform those Rules to DTC Rule 17 and NSCC Rule 27.<sup>12</sup> The proposed rule change to the language of EPN Rule 6 of Article V, Section 3 would conform the Rule to those of MBSD Rule 25, DTC Rule 14, and NSCC and GSD Rules 34.<sup>13</sup> The proposed rule change to GSD Rule 13, Section 5 would conform such Rule with DTC Rule 9D and NSCC Rule 55.<sup>14</sup> The remaining proposed rule changes are 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.

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f)(4).

<sup>12</sup> See supra note 3.

<sup>13</sup> Id.

<sup>14</sup> See supra note 3.



**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 Rules.

**EXHIBIT 1A**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-[\_\_\_\_\_]; File No. SR-FICC-2022-007)

[DATE]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Clarify and Update GSD Rules, MBSD Rules and EPN Rules

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October \_\_, 2022, 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. FICC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(4) thereunder.<sup>4</sup> 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

(a) The proposed rule change of Fixed Income Clearing Corporation (“FICC”) consists of modifications to the FICC Government Securities Division (“GSD”) Rulebook (“GSD Rules”), the FICC Mortgage-Backed Securities Division (“MBSD”) Clearing Rules (“MBSD Rules”) and the Electronic Pool Notification (“EPN”) Rules of

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

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

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(4).

MBSD (“EPN Rules,” and together with the GSD Rules and the MBSD Rules, the “Rules”).

Specifically, the proposed rule change would (i) clarify GSD Rules, MBSD Rules and EPN Rules concerning admission to FICC premises, (ii) update EPN Rules related to FICC’s maintenance of fidelity insurance bond, (iii) remove outdated EPN Rules related distribution facilities, and (iv) clarify GSD Rules and MBSD Rules concerning Settling Banks’ ability to refuse to settle. The proposed changes are designed to clarify and update certain sections of the Rules and enhance the transparency of those Rules by conforming, as appropriate, provisions in certain sections of the Rules with similar rules of FICC’s affiliates, as described in greater detail below.<sup>5</sup>

II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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<sup>5</sup> Capitalized terms not otherwise defined herein are defined in the MBSD Rules, GSD Rules, and the EPN Rules, as applicable, available at <http://www.dtcc.com/legal/rules-and-procedures>.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

FICC is proposing to clarify and update the Rules and enhance the transparency of those Rules through modifications related to (i) credentials required to access the premises of FICC, (ii) FICC's maintenance of a fidelity insurance bond, (iii) existence of distribution facilities of FICC, and (iv) clarification of Settling Banks' and Cash Settling Banks' ability to refuse to settle for itself.

First, the proposed changes would enhance the transparency of these Rules by providing participants of FICC with updated, clear information. Second, the proposed changes would simplify and update these Rules by removing information that either (a) describes internal processing and does not provide participants with important information regarding any applicable service, or (b) no longer describes FICC's current operations. Finally, the proposed changes would conform those Rules with similar rules of FICC affiliates, The Depository Trust Company ("DTC") and National Securities Clearing Corporation ("NSCC," and, together with FICC and DTC, the "Clearing Agencies"), where appropriate.

The proposed changes are discussed in detail below.

(i) Admission to FICC Premises

First, FICC is proposing to revise GSD Rule 27 (Admissions to Premises of the Corporation, Powers of Attorney, ETC.), MBSD Rule 20 (Admissions to Premises of the Corporation, Powers of Attorney, ETC.) and EPN Rule 4 of Article III,<sup>6</sup> (Admission to

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<sup>6</sup> All references to "Articles" herein shall refer to Articles of the EPN Rules, supra note 5.

Premises of Corporation; Powers of Attorney), which provide for the approval and subsequent revocation of access to FICC's premises by a participant's employee, or a person to whom a power of attorney or other authorization has been given to act for a participant, in connection with the work of FICC. The proposed changes to these Rules would add information regarding the need for any representative of a participant to prominently display credentials to gain entry and remain on the premises of FICC. The proposed rule change of EPN Rule 4 of Article III also clarifies the need to provide FICC with immediate notice of a change of circumstances resulting in the revocation of such credentials. The proposed changes further outline FICC's processes for allowing participants onto FICC's premises and, therefore, enhance the transparency of these Rules. The proposed change would allow FICC to continue to monitor and ensure the safety of its employees and guests, while clarifying expectations for participants and representatives of participants while on FICC premises.

In addition, the proposed rule change would conform GSD Rule 27, MBS Rule 20 and EPN Rule 4 of Article III with DTC Rule 17 and NSCC Rule 27.<sup>7</sup> By conforming the descriptions in similar rules across the Clearing Agencies where there is no difference in FICC's processes and therefore no need for differing language, the proposed changes would improve predictability and transparency for visitors of FICC.

(ii) *Maintenance of Fidelity Bond*

Next, FICC is proposing to revise EPN Rule 6, Section 3 of Article V (*Fidelity Bond*) which currently provides for FICC's maintenance of fidelity bond coverage in an

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<sup>7</sup> The DTC Rules and NSCC Rules are available on DTCC's public website, available at <https://www.dtcc.com/legal/rules-and-procedures>.

amount of not less than \$10,000,000. FICC is proposing to amend this rule to replace the existing language with a more general description of FICC's obligation to maintain appropriate insurance, including fidelity bonds, related to its business, to provide access to such insurance policies or contracts to EPN Users and to notify each EPN User and the Commission of any material reduction in such insurance coverage. FICC is proposing to replace the current language of this rule with a more general description because FICC does not believe the current rule provides EPN Users with important information regarding their rights and obligations, or FICC's rights and obligations, in connection with this obligation to maintain insurance coverage. In general, FICC maintains a significantly higher amount of fidelity bond coverage than that required in this rule.

In addition, the proposed changes would conform the language of EPN Rule 6, Section 3 of Article V with those of MBSD Rule 25, DTC Rule 14, and NSCC Rule 34 and GSD Rules 34.<sup>8</sup> By conforming the descriptions in similar rules across the Clearing Agencies where there is no difference in FICC's processes and therefore no need for differing language, the proposed changes would improve predictability and transparency for firms that are participants with multiple Clearing Agencies.

(iii) *Distribution Facilities*

FICC is also proposing to change the EPN Rules by deleting EPN Rule 20 of Article V (Distribution Facilities) because it does not currently maintain such facilities and has no plans to do so. Therefore, this proposed change would reflect FICC's current processes and improve the clarity the EPN Rules.

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<sup>8</sup> Id.

EPN Rule 20 of Article V currently states that FICC may, if it deems necessary, establish distribution facilities “for the distribution of papers, documents and other material incidental to the ordinary course of business” to be used by EPN Users. To FICC’s knowledge, FICC has not utilized such option and based on current FICC processes and procedures, FICC does not believe it would be necessary to establish such facilities in the future. As such, the proposed change would not impede any EPN Users from engaging in the services or have an adverse impact on such firms.

(iv) Settlement by Settling Banks and Cash Settling Banks

Lastly, FICC is proposing to revise GSD Rule 13, Section 5(b) (*Funds-Only Settlement Amount Payment Process*) and MBSD Rule 11, Section 9(b) (*Cash Settlement*) to clarify that a Settling Bank and a Cash Settling Bank, respectively, may not refuse to settle for itself.

GSD Rule 13, Section 5(b) currently provides that Funds-Only Settling Banks must acknowledge to FICC by a certain time their intention to either settle their Net Funds-Only Settlement Figures or their refusal to settle for one or more Netting Members. MBSD Rule 11, Section 9(b) currently provides that Cash Settling Banks must acknowledge to FICC by a certain time their intention to either settle their Total Debit Cash Balance Figures and Total Credit Cash Balance Figures or their refusal to settle for one or more particular Member.

The proposed change to these rules, would clarify that a Settling Bank and a Cash Settling Bank cannot refuse to settle for itself. The proposed change would codify a longstanding practice and understanding among participants of the Clearing Agencies. As Netting Members and Members have an ongoing responsibility to settle their own obligations, a Netting Member or Member who serves as a Settling Bank or Cash Settling

Bank, respectively, would carry the same responsibility on its own behalf. More specifically, GSD Rule 13, Section 5(e) states that if the Funds-Only Settling Bank does not acknowledge, or sends a refusal regarding, the Netting Member's Funds-Only Settlement Amount that is a debit or if the Funds-Only Settling Bank acknowledges the amount but then does not settle the payment, the Netting Member shall remain obligated, pursuant to the Rules, to pay such Amount by the payment deadline.<sup>9</sup> MBSD Rule 11, Section 9(e) states that if the Cash Settling Bank does not acknowledge, or sends a refusal regarding, the Member's Cash Settlement amount that is a debit or if the Cash Settling Bank acknowledges the amount but then does not settle the payment, the Member shall remain obligated, pursuant to the Rules, to pay such Cash Settlement amount by the payment deadline.<sup>10</sup> Therefore, if Settling Bank or a Cash Settling Bank is a Netting Member or a Member, respectively, it would be subject, as a Netting Member or Member, to the obligation to settle on its own behalf pursuant to the obligations of Netting Members and Member under the Rules cited above. While a Settling Bank and Cash Settling Bank may refuse to settle for another participant that has engaged it as a settling bank, in which case, the participant's obligation to settle on its own behalf would be triggered, it cannot refuse to settle for itself.

The proposed change would clarify and increase transparency of these Rules. In addition, the proposed change would conform GSD Rule 13, Section 5(b) and MBSD Rule 11, Section 9(b) with DTC Rule 9D and NSCC Rule 55, which state in clearer terms that settling banks cannot refuse to settle on its own behalf.

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<sup>9</sup> See supra note 5.

<sup>10</sup> Id.



2. Statutory Basis

Section 17A(b)(3)(F) of the Act requires, in part, that the Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions and to protect investors and the public interest.<sup>11</sup>

FICC believes the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions by FICC, consistent with the requirements of the Act, in particular Section 17A(b)(3)(F), cited above.<sup>12</sup> Specifically, the proposed rule changes concerning *Admission to FICC's Premises* and *Settlement by Settling Banks and Cash Settling Banks* would update and clarify these Rules by codifying settled processes and provide transparency thereby allowing participants to conduct their business more efficiently and effectively in accordance with the Rules, which FICC believes would promote the prompt and accurate clearance and settlement of securities transactions. The proposed rule change regarding *Distribution Facilities* would remove an outdated rule related to inactive services in reference to distribution facilities. This proposed change is designed to improve the accuracy, clarity, and transparency of the Rules and thereby allow participants to conduct their business more efficiently and effectively in accordance with the Rules, which FICC believes would promote the prompt and accurate clearance and settlement of securities transactions. The proposed rule change related to FICC's *Maintenance of Fidelity Bond* is designed to simplify and update this rule by removing information that describes internal processes and does not

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

<sup>12</sup> Id.

provide participants with important information regarding FICC's maintenance of appropriate insurance coverage.

By updating, clarifying and improving the transparency of the Rules, the proposed changes would allow participants to better understand their rights and obligations under the Rules. As such, FICC believes the proposed rule changes would promote the prompt and accurate clearance and settlement of securities transactions and assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible, consistent with the requirements of Section 17A(b)(3)(F).<sup>13</sup>

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

FICC does not believe that the proposed rule changes would have any impact on competition, because the proposed changes to (1) enhance transparency of the Rules, (2) change language that does not provide participants with important information regarding any service, (3) update the Rules to reflect current practice, and (4) conform the Rules across FICC's divisions and the Clearing Agencies, where appropriate, would not materially alter the respective rights or obligations of FICC or its participants. These proposed changes would allow participants to better understand FICC's internal processes by adding information to the Rules, update the Rules by removing services that are not provided and establish conformity across FICC's divisions and Clearing Agencies, where applicable. As such, the proposed changes would not impede participants from engaging in the services or have an adverse impact on any participants.

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<sup>13</sup>

Id.

Therefore, FICC believes the proposed rule changes would not have any impact on competition.

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

FICC has not received or solicited any written comments relating to this proposal. If any written comments are received, they will be publicly filed as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission's instructions on how to submit comments, available at <https://www.sec.gov/regulatory-actions/how-to-submitcomments>. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at [tradingandmarkets@sec.gov](mailto:tradingandmarkets@sec.gov) or 202-551-5777.

FICC reserves the right not to respond to any comments received.

III. Date of Effectiveness of the Proposed Rule Change, and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>14</sup> of the Act and paragraph (f)<sup>15</sup> of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FICC-2022-007 on the subject line.

Paper Comments:

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

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<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f).

All submissions should refer to File Number SR-FICC-2022-007. 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-2022-007 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.<sup>16</sup>

Secretary

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<sup>16</sup> 17 CFR 200.30-3(a)(12).

**Bolded, underlined text** indicates proposed added language.

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

**FIXED INCOME CLEARING CORPORATION  
GOVERNMENT SECURITIES DIVISION RULEBOOK**

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**RULE 13 – FUNDS-ONLY SETTLEMENT**

Section 5 – Funds-Only Settlement Amount Payment Process

(b) By the Acknowledgement Cutoff Time, the Funds-Only Settling Banks, without exception, must acknowledge to the Corporation via the designated terminal system their Net Funds-Only Settlement Figures and (1) their intention to settle with the Corporation their Net Funds-Only Settlement Figures, or (2) their refusal to settle for one or more particular Netting Members. The Acknowledgement Cutoff Time shall be the later of: (i) 30 minutes after the Funds-Only Settling Bank has been notified that such payment is due, or (ii) 30 minutes prior to the payment deadlines established by the Corporation. Notwithstanding the foregoing, a Funds-Only Settling Bank that is a Netting Member and settles solely for its own account **may not refuse to settle for itself but** may opt to not acknowledge its Funds-Only Settlement Amount; if such Funds-Only Settling Bank chooses to opt out, it shall not be subject to subsections (k) and (l) below.

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**RULE 27 - ADMISSION TO PREMISES OF THE CORPORATION,  
POWERS OF ATTORNEY, ETC.**

No person will be permitted to enter the premises of the Corporation as the representative of any Member unless 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 to gain entry to the Corporation's premises, must be prominently displayed while on said premises,** and may limit the portions of the premises to which access is permitted thereunder. 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.

Any Member shall, if any person in its employ to whom any credentials have been issued pursuant to this Rule or to whom a power of attorney or other authorization has been given to act for it in connection with the work of the Corporation shall for any reason cease to be so employed, give to the Corporation immediate notice in writing of such termination of employment and if any such power of attorney or other authorization is otherwise revoked or canceled, shall likewise give to the Corporation immediate notice in writing of such revocation or cancellation. All credentials issued pursuant to this Rule shall be immediately surrendered to the Corporation upon their revocation by the Corporation or by the employer or upon the termination of the employment of the holder thereof.

Unless revoked by the Corporation, all credentials, authorizations, and powers of attorney issued pursuant to this Rule or in connection with the work of the Corporation shall remain in full force and effect until the Corporation shall have received written notice of the revocation thereof or of the termination of the holder's employment.

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**FIXED INCOME CLEARING CORPORATION**  
**MORTGAGE-BACKED SECURITIES DIVISION**  
**CLEARING RULES**

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**RULE 11 – CASH SETTLEMENT**

Section 9 – Cash Settlement

(b) By the Acknowledgement Cutoff Time, the Cash Settling Banks, without exception, must acknowledge to the Corporation via the designated terminal system their Total Debit Cash Balance Figures and Total Credit Cash Balance Figures and (1) their intention to settle with the Corporation such Figures, or (2) their refusal to settle for one or more particular Members. The Acknowledgement Cutoff Time shall be the later of: (i) 30 minutes after the Cash Settling Bank has been notified that such payment is due, or (ii) 30 minutes prior to the payment deadlines established by the Corporation. Notwithstanding the foregoing, a Cash Settling Bank that is a Member and settles solely for its own account **may not refuse to settle for itself but** may opt to not acknowledge its Cash Settlement amount; if such Cash Settling Bank chooses to opt out, it shall not be subject to subsections (k) and (l) below.

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**RULE 20 - ADMISSION TO PREMISES OF THE CORPORATION, POWERS OF ATTORNEY, ETC.**

No person will be permitted to enter the premises of the Corporation as the representative of any Member unless 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 to gain entry to the Corporation's premises, must be prominently displayed while on said premises**, and may limit the portions of the premises to which access is permitted thereunder. 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.

Any Member shall, if any person in its employ to whom any credentials have been issued pursuant to this Rule or to whom a power of attorney or other authorization has been given to act for it in connection with the work of the Corporation shall for any reason cease to be so employed, give to the Corporation immediate notice in writing of such termination of employment and if any such power of attorney or other authorization is otherwise revoked or canceled, shall likewise give to the Corporation immediate notice in writing of such revocation



or cancellation. All credentials issued pursuant to this Rule shall be immediately surrendered to the Corporation upon their revocation by the Corporation or by the employer or upon the termination of the employment of the holder thereof.

Unless revoked by the Corporation, all credentials, authorizations, and powers of attorney issued pursuant to this Rule or in connection with the work of the Corporation shall remain in full force and effect until the Corporation shall have received written notice of the revocation thereof or of the termination of the holder's employment.

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**FIXED INCOME CLEARING CORPORATION  
MORTGAGE-BACKED SECURITIES DIVISION**

**EPN RULES**

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**ARTICLE III**

**EPN USERS**

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**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 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 to gain entry to the Corporation's premises, must be prominently displayed while on said premises**, 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.

Each EPN User shall, if any person in its employ to whom any credentials have been issued pursuant to this Rule or to whom a power of attorney or other authorization has been given to act for it in connection with the work of the Corporation for any reason ceases to be so employed, give to the Corporation **promptimmediate** notice in writing of such termination of employment and, if any such power of attorney or other authorization is otherwise revoked or canceled, shall likewise give to the Corporation **promptimmediate** notice in writing of such revocation or cancellation. All credentials issued pursuant to this Rule shall be immediately surrendered to the Corporation upon their revocation by the Corporation or by the employer, or upon the termination of the employment of the holder thereof.

Unless revoked by the Corporation, all credentials, authorizations, and powers of attorney issued pursuant to this Rule 4 or in connection with the work of the Corporation shall remain in full force and effect until the Corporation shall have received written notice of the revocation thereof or of the termination of the holder's employment.

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ARTICLE V  
MISCELLANEOUS

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**Rule 6. Limitation on Liability of the Corporation; Fidelity Bond**

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Sec. 3. Fidelity Bond

The Corporation shall ~~maintain fidelity bond coverage in an amount of not less than \$10,000,000 insuring the Corporation against any losses which it may sustain as a result of, among other things, the dishonest or fraudulent act of employees, or the dishonesty or fraud of others~~ use its best efforts to maintain, or arrange for the maintenance by the Corporation of such insurance, including fidelity bonds, in such amounts and having such coverage regarding the business of the Corporation, as the Board shall deem appropriate. The insurance policies or contracts pursuant to which such insurance is provided shall be open to the inspection of the Members at the offices of the Corporation during regular business hours on Business Days. If the Corporation shall materially reduce the amount or coverage of any such insurance or the persons providing such insurance shall notify the Corporation of a material reduction in the amount of coverage thereof, the Corporation shall promptly notify each Member and the Securities and Exchange Commission thereof stating the effective date of such reduction.

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**Rule 20. Distribution Facilities**

~~If deemed necessary, the Corporation will establish distribution facilities which may, subject to such regulations as the Corporation may from time to time prescribe, be used by EPN User for the distribution of papers, documents and other material incidental to the ordinary course of business.~~

~~The Corporation assumes no responsibility whatever for the form or content of any papers, documents or other material (other than items prepared by it) placed in the boxes in its distribution facilities assigned to each EPN User or otherwise handled by the Corporation; nor does the Corporation assume any responsibility for any improper or unauthorized removal from such boxes or from the Corporation's facilities of any such papers, documents or other material, including items prepared by the Corporation.~~

~~Each EPN User shall send an authorized representative to the Corporation's distribution facilities at frequent intervals to pick up documents or material made available to the EPN User by the Corporation.~~

~~The Corporation's distribution facilities will remain open on Business Days during the hours specified by the Corporation.~~

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