

Required fields are shown with yellow backgrounds and asterisks.

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

File No. \* SR 2022 - \* 009

Amendment No. (req. for Amendments \*)

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) \* ☐

Pilot ☐ Extension of Time Period for Commission Action \* ☐ Date Expires \*

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)  
☒ 19b-4(f)(2) ☐ 19b-4(f)(5)  
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

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 \*).

Amend Certain MBSD Fees

### 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 \* RuleFilingAdmin@dtcc.com

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 12/20/2022

(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: 2022.12.20  
14:01:52 -05'00'

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 - MBSD Fees - 2022-1220 F

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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Exh 1A - MBSD Fees - 2022-1220 Fin

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 \***

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

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

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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.

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Exhibit Sent As Paper Document

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

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Exh 3 (Redacted) - MBSD Fees - 2022

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.

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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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Exh 5 - MBSD Fees - 2022-1220 Final

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

**Partial Amendment**

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

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

(a) The proposed rule change is attached hereto as Exhibit 5 and consists of modifications to Fixed Income Clearing Corporation's ("FICC") Mortgage-Backed Securities Division ("MBSD") Clearing Rules ("MBSD Rules") and the MBSD EPN Rules ("EPN Rules" and together with the MBSD Rules, the "Rules") in order to amend (i) certain Trade Creates and Trade Processing fees, (ii) the DNA Request fee, (iii) the Matched Pool Instruct fee, (iv) an Account Maintenance fee, and (v) the Message Processing fees, as described further 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 Businesses, Technology and Operations Committee of FICC's Board of Directors ("Board") on September 20, 2022 and October 18, 2022.

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

### **(a) Purpose**

FICC is proposing to amend the MBSD Rules and the EPN Rules in order to amend (i) certain Trade Creates and Trade Processing fees; (ii) the DNA Request fee, (iii) the Matched Pool Instruct fee, (iv) an Account Maintenance fee, and (v) the Message Processing fees, as described in greater detail below.

FICC operates a cost plus low-margin pricing model and has in place procedures to control costs and to regularly review pricing levels against costs of operation. FICC reviews pricing levels against its costs of operation typically during the annual budget process. The budget is approved annually by the Board. FICC's fees are cost-based plus a markup as approved by the Board or management (pursuant to authority delegated by the Board), as applicable. This markup or "low margin" is applied to recover development costs and operating expenses and to accumulate capital sufficient to meet regulatory and economic requirements.

FICC expects the rising interest rate environment to be a long-term structural change which will continue to negatively impact MBSD revenue. Specifically, as a result of the rising interest rate environment, FICC expects the decrease in transaction volumes for MBSD, and therefore, the decrease in revenues for MBSD, to continue in 2023. FICC expects inflationary pressures, and technology and infrastructure investments related to IT risk mitigation and resiliency initiatives to contribute to costs in 2023. While overall costs in 2023 are expected to be lower than forecasted for 2022, FICC believes the proposed increases in fees, as further described below, would enable FICC to offset the above-described expected decrease in MBSD

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

revenue due to the expected decrease in transaction volumes for MBSD because of rising interest rate environment and would enable FICC to generate sufficient revenues to cover its operating costs plus generate a low net income margin (i.e., to be consistent with its pricing model). The net income margin forecasted for 2022 is lower than the net income margin range that FICC typically aims to achieve. Transaction volumes for MBSD were lower than expected in 2022 and as such, revenues for MBSD were lower than expected in 2022 while technology and infrastructure investments contributed to increased costs in 2022. As described above, FICC believes that the rising interest rate environment is a long-term structural change, which will continue to negatively impact revenues for MBSD in 2023. As such, the proposed increases in fees described in detail below are necessary to enable FICC to cover operating costs while generating a low net income margin. Specifically, these proposed fee increases would enable FICC to generate a low net income margin that would be in a range that FICC typically aims to achieve. As described above, this low margin is applied to recover development costs and operating expenses and to accumulate capital sufficient to meet regulatory and economic requirements.

(i) **Certain Trade Creates and Trade Processing Fees**

(a) *Trade Creates Fees*

A trade create is a type of transaction used to identify the submission and/or subsequent processing of trades as opposed to cancels or notifications.

Current Fees

In the MBSD Rules Schedule of Charges Broker Account Group and the MBSD Rules Schedule of Charges Dealer Account Group, there are fees for Trade Creates relating to Trade Processing. In the MBSD Rules Schedule of Charges Dealer Account Group, there are also fees for (i) Trade Creates relating to Trade-for-Trade Transactions, Specified Pool Trades, and Stipulated Trades, and (ii) Trade Creates relating to Options Trades.

The current fee charged to brokers in the MBSD Rules Schedule of Charges Broker Account Group for Trade Creates relating to Trade Processing is \$0.20/side.

In the MBSD Rules Schedule of Charges Dealer Account Group, the current fee for Trade Creates relating to Trade Processing are as follows:<sup>2</sup>

<b>Total par amount traded per month</b>	<b>Current Fee (Par Value Millions/Mon.)</b>
01 - 2,500,000,000	\$2.00/MM
2,500,000,001 - 7,500,000,000	\$1.58/MM
7,500,000,001 - 12,500,000,000	\$1.39/MM
12,500,000,001 - 300,000,000,000	\$1.19/MM
300,000,000,001 and over	\$1.16/MM

<sup>2</sup> Certain fees are based on the par value per million per month (“MM”).

In the MBSD Rules Schedule of Charges Dealer Account Group, the current fees for (i) Trade Creates relating to Trade-for-Trade Transactions, Specified Pool Trades, and Stipulated Trades is \$1.16/MM and (ii) Trade Creates relating to Option Trades is \$1.00/MM.

#### Proposed Changes

In the MBSD Rules Schedule of Charges Broker Account Group, FICC is proposing to revise the fee for Trade Creates relating to Trade Processing from \$0.20/side to \$.40/side.

In the MSBD Rules Schedule of Charges Dealer Account Group, FICC is proposing to revise the fee for Trade Creates relating to Trade Processing as follows:

<b>Total par amount traded per month</b>	<b>Current Fee (Par Value Millions/Mon.)</b>	<b>Proposed Changes to Fees (Par Value Millions/Mon.)</b>
01 - 2,500,000,000	\$2.00/MM	\$2.36/MM
2,500,000,001 - 7,500,000,000	\$1.58/MM	\$1.86/MM
7,500,000,001 - 12,500,000,000	\$1.39/MM	\$1.64/MM
12,500,000,001 - 300,000,000,000	\$1.19/MM	\$1.40/MM
300,000,000,001 and over	\$1.16/MM	\$1.37/MM

In addition, in the MBSD Rules Schedule of Charges Dealer Account Group, FICC is proposing to revise the fees for (i) Trade Creates relating to Trade-for-Trade Transactions, Specified Pool Trades, and Stipulated Trades from \$1.16/MM to \$1.37/MM, and (ii) Trade Creates relating to Options Trades from \$1.00/MM to \$1.18/MM.

FICC believes that the proposed increases to the above-described fees for Trade Creates would be consistent with FICC's cost plus low-margin pricing model and would enable FICC to offset the expected decrease in MBSD revenue. As described above, FICC regularly reviews pricing levels against its costs of operation typically during the annual budget process. FICC determined during the 2023 annual budget process that the proposed increase in the above-described fees for Trade Creates would help better align costs to revenue and generate sufficient revenues to cover its operating costs plus generate a low net income margin (i.e., to be consistent with its cost plus low-margin pricing model). As described above, due to the rising interest rate environment, FICC anticipates that transaction volumes will continue to decrease, and therefore, MBSD revenue will also continue to decrease in 2023. As such, FICC believes the proposed increases to the above-described fees for Trade Creates would enable FICC to offset the expected decrease in MBSD revenue, and enable FICC to continue to generate sufficient revenues to cover its operating costs plus generate a low net income margin.

(b) TBA Netting Balance Order (SBON)

In the Trade Processing section of the Schedule of Charges Dealer Account Group in the MBSD Rules, there is also a TBA Netting Balance Order (SBON) fee of \$1.00/MM.<sup>3</sup> The TBA Netting Balance Order (SBON) fee is the fee for SBON Trades that are generated from the TBA Netting System.<sup>4</sup> Pursuant to MBSD Rule 6, Section 1, each Clearing Member's SBO-Destined Trades in each Account in the TBA Netting System (other than SBO-Destined Trades that have been converted to Trade-for-Trade Transactions as provided in the MBSD Rules) will be netted by CUSIP on a monthly basis, and the TBA Netting System will generate SBON Trades.<sup>5</sup>

FICC is proposing to revise this trade processing fee from \$1.00/MM to \$1.20/MM.

FICC believes that this proposed increase in the TBA Netting Balance Order (SBON) fee would be consistent with FICC's cost plus low-margin pricing model and enable FICC to offset the expected decrease in MBSD revenue. As described above, FICC regularly reviews pricing levels against its costs of operation typically during the annual budget process. FICC determined during the 2023 annual budget process that the proposed increase in the TBA Netting Balance Order (SBON) fee would help better align costs to revenue and generate sufficient revenues to cover its operating costs plus generate a low net income margin (i.e., to be consistent with its cost plus low-margin pricing model). As described above, due to the rising interest rate environment, FICC anticipates that transaction volumes for MBSD will continue to decrease, and therefore, MBSD revenue will also continue to decrease in 2023. As such, FICC believes the proposed increase in the TBA Netting Balance Order (SBON) fee would enable FICC to offset the expected decrease in MBSD revenue, and enable FICC to continue to generate sufficient revenues to cover its operating costs plus generate a low net income margin.

(ii) DNA Request Fee

The Do Not Allocate ("DNA") process is the process by which Clearing Members that have two or more TBA Obligations with the same Par Amount, CUSIP Number and established date in the settlement cycle, may offset such transactions against one another.<sup>6</sup> In order to initiate the offset, Clearing Members are required to submit a request ("DNA Request") to MBSD. Upon FICC's receipt and verification of this request, the Clearing Member's designated

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<sup>3</sup> The term "TBA" or "To-Be-Announced" means a contract for the purchase or sale of a mortgage-backed security to be delivered at an agreed-upon future date because as of the transaction date, the seller has not yet identified certain terms of the contract, such as the pool number and number of pools, to the buyer. MBSD Rule 1, supra note 1.

<sup>4</sup> The term "SBO" means the settlement balance orders that constitute the net positions of a Clearing Member as a result of the TBA Netting process. The resulting transactions from this TBA Netting process are identified as SBON Trades. MBSD Rule 1, supra note 1.

<sup>5</sup> Supra note 1.

<sup>6</sup> MBSD Rule 7, Section 3, supra note 1.



TBA Obligations will be offset, and as a result, a Clearing Member's overall number of open TBA Obligations will be reduced.<sup>7</sup>

FICC charges a fee in connection with a Clearing Member's request to include eligible trades in the above-described DNA process (such request is referred to as a "DNA Request"). Currently, in the MBSD Rules Schedule of Charges Dealer Account Group, the DNA Request fee is listed as \$1.25/MM.

FICC is proposing to revise this DNA Request fee from \$1.25/MM to \$1.50/MM.

FICC believes that this proposed increase in the DNA Request fee would be consistent with FICC's cost plus low-margin pricing model and enable FICC to offset the expected decrease in MBSD revenues. As described above, FICC regularly reviews pricing levels against its costs of operation typically during the annual budget process. FICC determined during the 2023 annual budget process that the proposed increase in the DNA Request fee would help better align costs to revenue and enable FICC to generate sufficient revenue to cover its operating costs plus generate a low net income margin (i.e., to be consistent with its cost plus low-margin pricing model). As described above, due to the rising interest rate environment, FICC anticipates that transaction volumes for MBSD will continue to decrease, and therefore, MBSD revenue will also continue to decrease in 2023. As such, FICC believes the proposed increase in the DNA Request fee would enable FICC to offset the expected decrease in MBSD revenue, and enable FICC to continue to generate sufficient revenues to cover its operating costs plus generate a low net income margin.

**(iii) Matched Pool Instruct Fee**

Pursuant to MBSD Rule 8, Section 1, Pool Netting is a system for aggregating and matching offsetting allocated pools submitted by Clearing Members to satisfy: (i) settlement obligations associated with Trade-for-Trade Transactions and (ii) settlement obligations resulting from the TBA Netting system. Each Business Day, FICC will calculate and report to each Clearing Member each Pool Net Settlement Position of such Member. With respect to each such Pool Net Settlement Position, FICC will report to the Member the extent to which the Member is obligated to deliver Eligible Securities to FICC and/or to receive Eligible Securities from FICC in accordance with each such Pool Net Settlement Position.<sup>8</sup>

In the Pool Netting fees section of the MBSD Rules Schedule of Charges Dealer Account Group, there is a fee for Matched Pool Instructs of \$1.00 per side. The fee for Matched Pool Instructs is the fee for pools that are submitted into Pool Netting.

FICC is proposing to increase this fee for Matched Pool Instructs from \$1.00 per side to \$1.20 per side.

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<sup>7</sup> Id.

<sup>8</sup> MBSD Rule 8, supra note 1.

FICC believes that this proposed increase in the Matched Pool Instruct fee would be consistent with FICC's cost plus low-margin pricing model and enable FICC to offset the expected decrease in MBSD revenue. As described above, FICC regularly reviews pricing levels against its costs of operation typically during the annual budget process. FICC determined during the 2023 annual budget process that the proposed increase in the Matched Pool Instruct fee would help better align costs to revenue and enable FICC to generate sufficient revenue to cover its operating costs plus generate a low net income margin (i.e., to be consistent with its cost plus low-margin pricing model). As described above, due to the rising interest rate environment, FICC anticipates that transaction volumes for MBSD will continue to decrease, and therefore, MBSD revenue will also continue to decrease in 2023. As such, FICC believes the proposed increase in the Matched Pool Instruct fee would enable FICC to offset the expected decrease in MBSD revenue, and enable FICC to continue to generate sufficient revenues to cover its operating costs plus generate a low net income margin.

**(iv) Account Maintenance Fee**

In the Account Maintenance fees section of the EPN Service Schedule of Charges in the EPN Rules, the current fee for Direct Accounts is \$1,000.00 per month (per account). FICC is proposing to revise this Account Maintenance fee for Direct Accounts from \$1,000.00 per month (per account) to \$1,200.00 per month (per account). FICC has not increased the Account Maintenance fee for Direct Accounts since 2014.<sup>9</sup>

FICC believes that this proposed increase in the Account Maintenance fee for Direct Accounts would be consistent with FICC's cost plus low-margin pricing model and enable FICC to offset the expected decrease in MBSD revenue. As described above, FICC regularly reviews pricing levels against its costs of operation typically during the annual budget process. FICC determined during the 2023 annual budget process that the proposed increase in the Account Maintenance fee would help better align costs to revenue and enable FICC to generate sufficient revenue to cover its operating costs plus generate a low net income margin (i.e., to be consistent with its cost plus low-margin pricing model). As described above, FICC has not increased the Account Maintenance fee for Direct Accounts since 2014, and this proposed increase would enable FICC to offset the expected decrease in MBSD revenue, and enable FICC to continue to generate sufficient revenues to cover its operating costs plus generate a low net income margin.<sup>10</sup>

**(v) Message Processing Fees**

FICC's electronic pool notification service (the "EPN Service") provides Clearing Members and EPN Users with the ability to electronically communicate pool information to other EPN Users or FICC.

In connection with the EPN Service, certain message processing fees are charged. Specifically, there are fees for the following EPN message types: (i) Notification Send,

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<sup>9</sup> See Securities Exchange Act Release No. 72305 (June 4, 2014), 79 FR 33244 (June 10, 2014) (SR-FICC-2014-03).

<sup>10</sup> Id.



(ii) Notification Receive, (iii) Pool Substitution Cancel/Correct. The Notification Send fee is a fee for sending an EPN message type that provides MBS pool information and the Notification Receive fee is the fee for receiving an EPN message type that contains MBS pool information. Pool Substitution Cancel/Correct is an EPN message type that supports the simultaneous “cancel” of previously allocated pools and the “correct” notification of substituted pools; this EPN message type provides Clearing Members and EPN Users with a method of transmitting pool substitutions to their allocation counterparties. FICC charges a fee for this EPN message type.

FICC is also proposing to amend the “Message Processing Fees” in the EPN Service Schedule of Charges in the EPN Rules as described below:

<b><u>Message Processing Fees</u></b>	<b>Current Fees</b>	<b>Proposed Changes to Fees</b>
<i>ON Send:</i>		
Opening of Business to 1:00 p.m.	\$.19/million Current Face	\$.20/million Current Face
1:00 p.m. to 2:00 p.m.	\$.95/million Current Face	\$1.00/million Current Face
2:00 p.m. to 3:00 p.m.	\$1.90/million Current Face	\$2.00/million Current Face
3:00 p.m. to Close of Business	\$1.58/million Current Face	\$1.67/million Current Face
<i>ON Receive:</i>		
Opening of Business to 1:00 p.m.	\$.51/million Current Face	\$.54/million Current Face
1:00 p.m. to 2:00 p.m.	\$.26/million Current Face	\$.28/million Current Face
2:00 p.m. to 3:00 p.m.	\$.26/million Current Face	\$.28/million Current Face
<b>Pool Substitution Cancel/Correct</b>		
<i>Cancel/Correct Send:</i>		
Open of Business up to 11:00 a.m.	\$0.19/million Current Face	\$0.20/million Current Face
11:00 a.m. up to 12:00 p.m.	\$0.95/million Current Face	\$1.00/million Current Face
12:00 p.m. up to 12:15 p.m.	\$1.90/million Current Face	\$2.00/million Current Face
12:15 p.m. to End of Day	\$0.19/million Current Face	\$0.20/million Current Face

FICC believes that the proposed increases in the above-described Message Processing fees would be consistent with FICC’s cost plus low-margin pricing model and enable FICC to

offset the expected decrease in MBSD revenue. As described above, FICC regularly reviews pricing levels against its costs of operation typically during the annual budget process. FICC determined during the 2023 annual budget process that the proposed increases in the Message Processing fees would help better align costs to revenue and enable FICC to generate sufficient revenue to cover its operating costs plus generate a low net income margin (i.e., to be consistent with its cost plus low-margin pricing model). As described above, due to the rising interest rate environment, FICC anticipates that transaction volumes for MBSD will continue to decrease, and therefore, MBSD revenue will also continue to decrease in 2023. As such, FICC believes the proposed increases in the Message Processing fees would enable FICC to offset the expected decrease in MBSD revenue, and enable FICC to continue to generate sufficient revenues to cover its operating costs plus generate a low net income margin.

**(vi) Expected Member Impact**

The proposed rule change is expected to increase FICC's annual revenue by approximately \$16.5 million.

In general, FICC anticipates that the proposal would result in fee increases for all MBSD Clearing Members and EPN Users. FICC anticipates that the proposal would result in a fee increase of (i) less than \$10,000 per year for approximately 53% of impacted affiliated MBSD Clearing Members and EPN Users, (ii) between \$10,000 and \$100,000 for approximately 30% of impacted affiliated MBSD Clearing Members and EPN Users, and (iii) more than \$100,000 for approximately 17% of impacted affiliated MBSD Clearing Members and EPN Users.

**(vii) Member Outreach**

FICC has conducted ongoing outreach to each Clearing Member and EPN User in order to provide them with notice of the proposed changes and the anticipated impact for the Clearing Members and EPN Users. As of the date of this filing, no written comments relating to the proposed changes have been received in response to this outreach. The Securities and Exchange Commission ("Commission") will be notified of any written comments received.

*Implementation Timeframe*

FICC would implement this proposal on January 1, 2023. As proposed, a legend would be added to the Schedule of Charges Broker Account Group in the MBSD Rules, the Schedule of Charges Dealer Account Group in the MBSD Rules, and the EPN Service Schedule of Charges in the EPN Rules, as appropriate, stating there are changes that became effective upon filing with the Commission but have not yet been implemented. The proposed legend would include the date on which such changes would be implemented and the file number of this proposal, and state that once this proposal is implemented, the legend would automatically be removed.

**(b) Statutory Basis**

Section 17A(b)(3)(D) of the Securities Exchange Act of 1934 ("Act") requires that the rules of a clearing agency, such as FICC, provide for the equitable allocation of reasonable dues,

fees, and other charges among its participants.<sup>11</sup> FICC believes that the proposed changes to increase (i) certain Trade Creates and Trade Processing fees, (ii) the DNA Request fee, (iii) the Matched Pool Instruct fee, (iv) an Account Maintenance fee, and (v) the Message Processing fees are consistent with this provision of the Act.<sup>12</sup>

FICC believes the proposed changes to increase (i) certain Trade Creates and Trade Processing fees, (ii) the DNA Request fee, (iii) the Matched Pool Instruct Fee, and (iv) the Message Processing fees, as described above, are consistent with Section 17A(b)(3)(D).<sup>13</sup> The proposal would provide for the equitable allocation of fees among participants because the proposal would apply to all participants, such that all Clearing Members and EPN Users, as applicable, would be subject to these proposed increases in these fees following the implementation of the proposed changes. The above-described fees are and would continue to be charged to all Clearing Members and EPN Users, as applicable, and are and would continue to be based on each Clearing Member's and each EPN User's utilization of MBSD's services. Specifically, each Clearing Member and EPN User would be charged based on the volume of transactions and/or messages submitted to MBSD.

Similarly, FICC believes the above-described (i) Trade Create and Trade Processing fees, (ii) DNA Request fee, (iii) Matched Pool Instruct Fee, and (iv) Message Processing fees would continue to be reasonable fees under the proposed changes described above. The proposed changes to increase (i) certain Trade Creates and Trade Processing fees, (ii) the DNA Request fee, (iii) the Matched Pool Instruct Fee, and (iv) the Message Processing fees, as described above, would be consistent with FICC's cost plus low-margin pricing model. With the proposed changes to these fees, FICC believes it would still be able to continue to generate sufficient revenues to cover its operating costs plus generate a low net income margin. Furthermore, the proposed changes to these fees would enable FICC to offset the expected decrease in MBSD revenue attributed to the long-term structural change due to the rising interest rate environment. As described above, FICC expects the rising interest rate environment to be a long-term structural change which will continue to negatively impact MBSD revenue. Specifically, as a result of the rising interest rate market, FICC expects the decrease in transaction volumes for MBSD, and therefore, the decrease in revenues for MBSD, to continue in 2023. As such, FICC believes the proposed changes to increase (i) certain Trade Creates and Trade Processing fees, (ii) the DNA Request fee, (iii) the Matched Pool Instruct Fee, and (iv) the Message Processing fees would enable FICC to offset the above-described expected decrease in MBSD revenue due to the expected decrease in transaction volumes for MBSD because of rising interest rate environment.

FICC also believes the proposed change to increase the Account Maintenance fee for Direct Accounts is consistent with Section 17A(b)(3)(D) of the Act.<sup>14</sup> The proposal would

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

<sup>12</sup> Id.

<sup>13</sup> 15 U.S.C. 78q-1(b)(3)(D).

<sup>14</sup> 15 U.S.C. 78q-1(b)(3)(D).

provide for the equitable allocation of fees among participants because the proposal would apply to all participants, such that all Clearing Members and EPN Users with Direct Accounts would be subject to the proposed increase in the Account Maintenance fee for Direct Accounts.

In addition, FICC believes the Account Maintenance fee for Direct Accounts would continue to be a reasonable fee under the proposed change described above. The proposed change to increase the Account Maintenance fee for Direct Accounts would be consistent with FICC's cost plus low-margin pricing model, and as described above, FICC has not increased this fee since 2014. With the proposed change to this fee, FICC believes it would still be able to continue to generate sufficient revenues to cover its operating costs plus generate a low net income margin. FICC believes the proposed increase in the Account Maintenance fee for Direct Accounts would enable FICC to offset the expected decrease in MBSD revenue due to the expected decrease in transaction volumes for MBSD because of the rising interest rate environment.

Based on the foregoing, FICC believes the proposed rule change is consistent with Section 17A(b)(3)(D) of the Act.<sup>15</sup>

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

FICC believes that the proposed changes to increase (i) certain Trade Creates and Trade Processing fees, (ii) the DNA Request fee, (iii) the Matched Pool Instruct fee, (iv) an Account Maintenance fee, and (v) the Message Processing fees may impose a burden on competition. However, FICC believes any burden on competition that may result from the proposed fee increases would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.<sup>16</sup>

FICC believes the proposed changes to increase (i) certain Trade Creates and Trade Processing fees, (ii) the DNA Request fee, (iii) the Matched Pool Instruct fee, (iv) an Account Maintenance fee, and (v) the Message Processing fees are necessary because these proposed fee increases would provide FICC with the ability to achieve and maintain its net income margin. In addition, FICC believes these proposed fee increases are appropriate because these proposed fee increases would enable FICC to offset the expected decrease in revenue in MBSD due to the expected decrease in transaction volumes for MBSD because of the rising interest rate environment (which FICC believes is a long-term structural change).

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

FICC reviewed the proposed rule change with Clearing Members and EPN Users. FICC has not received any written comments relating to this proposal. If any additional written

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<sup>15</sup> Id.

<sup>16</sup> 15 U.S.C. 78q-1(b)(3)(I).

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-submit-comments>. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the SEC'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.

**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 on immediately upon filing pursuant to paragraph A of Section 19(b)(3)<sup>17</sup> of the Act.

(b) The proposed rule change establishes or changes a due, fee, or other charge.<sup>18</sup>

(c) Not applicable.

(d) Not applicable.

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

Not applicable.

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

Not applicable.

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<sup>17</sup> 15 U.S.C 78s(b)(3)(A).

<sup>18</sup> 17 CFR 240.19b-4(f)(2).

**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 – Confidential Supporting Information. *Omitted and filed separately with the Commission. Confidential treatment of this Exhibit 3 pursuant to 17 CFR 240.24b-2 being requested.*

Exhibit 4 – Not applicable.

Exhibit 5 – Proposed changes to the Rules.



**EXHIBIT 1A**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-[\_\_\_\_]; File No. SR-FICC-2022-009)

[DATE]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Certain MBSD Fees

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 December \_\_, 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)(2) 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

The proposed rule change consists of modifications to FICC’s Mortgage-Backed Securities Division (“MBSD”) Clearing Rules (“MBSD Rules”) and the MBSD EPN Rules (“EPN Rules” and together with the MBSD Rules, the “Rules”) in order to amend (i) certain Trade Creates and Trade Processing fees, (ii) the DNA Request fee, (iii) the

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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)(2).

Matched Pool Instruct fee, (iv) an Account Maintenance fee, and (v) the Message Processing fees, as described further 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.

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

1. Purpose

FICC is proposing to amend the MBSD Rules and the EPN Rules in order to amend (i) certain Trade Creates and Trade Processing fees; (ii) the DNA Request fee, (iii) the Matched Pool Instruct fee, (iv) an Account Maintenance fee, and (v) the Message Processing fees, as described in greater detail below.

FICC operates a cost plus low-margin pricing model and has in place procedures to control costs and to regularly review pricing levels against costs of operation. FICC reviews pricing levels against its costs of operation typically during the annual budget process. The budget is approved annually by the Board. FICC's fees are cost-based plus a markup as approved by the Board or management (pursuant to authority delegated by

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

the Board), as applicable. This markup or “low margin” is applied to recover development costs and operating expenses and to accumulate capital sufficient to meet regulatory and economic requirements.

FICC expects the rising interest rate environment to be a long-term structural change which will continue to negatively impact MBSD revenue. Specifically, as a result of the rising interest rate environment, FICC expects the decrease in transaction volumes for MBSD, and therefore, the decrease in revenues for MBSD, to continue in 2023. FICC expects inflationary pressures, and technology and infrastructure investments related to IT risk mitigation and resiliency initiatives to contribute to costs in 2023. While overall costs in 2023 are expected to be lower than forecasted for 2022, FICC believes the proposed increases in fees, as further described below, would enable FICC to offset the above-described expected decrease in MBSD revenue due to the expected decrease in transaction volumes for MBSD because of rising interest rate environment and would enable FICC to generate sufficient revenues to cover its operating costs plus generate a low net income margin (i.e., to be consistent with its pricing model). The net income margin forecasted for 2022 is lower than the net income margin range that FICC typically aims to achieve. Transaction volumes for MBSD were lower than expected in 2022 and as such, revenues for MBSD were lower than expected in 2022 while technology and infrastructure investments contributed to increased costs in 2022. As described above, FICC believes that the rising interest rate environment is a long-term structural change, which will continue to negatively impact revenues for MBSD in 2023. As such, the proposed increases in fees described in detail below are necessary to enable FICC to cover operating costs while generating a low net income margin. Specifically, these

proposed fee increases would enable FICC to generate a low net income margin that would be in a range that FICC typically aims to achieve. As described above, this low margin is applied to recover development costs and operating expenses and to accumulate capital sufficient to meet regulatory and economic requirements.

(i) **Certain Trade Creates and Trade Processing Fees**

(a) *Trade Creates Fees*

A trade create is a type of transaction used to identify the submission and/or subsequent processing of trades as opposed to cancels or notifications.

Current Fees

In the MBSD Rules Schedule of Charges Broker Account Group and the MBSD Rules Schedule of Charges Dealer Account Group, there are fees for Trade Creates relating to Trade Processing. In the MBSD Rules Schedule of Charges Dealer Account Group, there are also fees for (i) Trade Creates relating to Trade-for-Trade Transactions, Specified Pool Trades, and Stipulated Trades, and (ii) Trade Creates relating to Options Trades.

The current fee charged to brokers in the MBSD Rules Schedule of Charges Broker Account Group for Trade Creates relating to Trade Processing is \$0.20/side.

In the MBSD Rules Schedule of Charges Dealer Account Group, the current fee for Trade Creates relating to Trade Processing are as follows:<sup>6</sup>

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<sup>6</sup> Certain fees are based on the par value per million per month (“MM”).

<b>Total par amount traded per month</b>	<b>Current Fee (Par Value Millions/Mon.)</b>
01 - 2,500,000,000	\$2.00/MM
2,500,000,001 - 7,500,000,000	\$1.58/MM
7,500,000,001 - 12,500,000,000	\$1.39/MM
12,500,000,001 - 300,000,000,000	\$1.19/MM
300,000,000,001 and over	\$1.16/MM

In the MBSD Rules Schedule of Charges Dealer Account Group, the current fees for (i) Trade Creates relating to Trade-for-Trade Transactions, Specified Pool Trades, and Stipulated Trades is \$1.16/MM and (ii) Trade Creates relating to Option Trades is \$1.00/MM.

Proposed Changes

In the MBSD Rules Schedule of Charges Broker Account Group, FICC is proposing to revise the fee for Trade Creates relating to Trade Processing from \$0.20/side to \$.40/side.

In the MSBD Rules Schedule of Charges Dealer Account Group, FICC is proposing to revise the fee for Trade Creates relating to Trade Processing as follows:

<b>Total par amount traded per month</b>	<b>Current Fee (Par Value Millions/Mon.)</b>	<b>Proposed Changes to Fees (Par Value Millions/Mon.)</b>
01 - 2,500,000,000	\$2.00/MM	\$2.36/MM
2,500,000,001 - 7,500,000,000	\$1.58/MM	\$1.86/MM
7,500,000,001 - 12,500,000,000	\$1.39/MM	\$1.64/MM
12,500,000,001 - 300,000,000,000	\$1.19/MM	\$1.40/MM
300,000,000,001 and over	\$1.16/MM	\$1.37/MM

In addition, in the MBSD Rules Schedule of Charges Dealer Account Group, FICC is proposing to revise the fees for (i) Trade Creates relating to Trade-for-Trade Transactions, Specified Pool Trades, and Stipulated Trades from \$1.16/MM to \$1.37/MM, and (ii) Trade Creates relating to Options Trades from \$1.00/MM to \$1.18/MM.

FICC believes that the proposed increases to the above-described fees for Trade Creates would be consistent with FICC's cost plus low-margin pricing model and would enable FICC to offset the expected decrease in MBSD revenue. As described above, FICC regularly reviews pricing levels against its costs of operation typically during the annual budget process. FICC determined during the 2023 annual budget process that the proposed increase in the above-described fees for Trade Creates would help better align costs to revenue and generate sufficient revenues to cover its operating costs plus generate a low net income margin (i.e., to be consistent with its cost plus low-margin pricing model). As described above, due to the rising interest rate environment, FICC anticipates that transaction volumes will continue to decrease, and therefore, MBSD revenue will also continue to decrease in 2023. As such, FICC believes the proposed increases to the above-described fees for Trade Creates would enable FICC to offset the expected decrease in MBSD revenue, and enable FICC to continue to generate sufficient revenues to cover its operating costs plus generate a low net income margin.

(b) TBA Netting Balance Order (SBON)

In the Trade Processing section of the Schedule of Charges Dealer Account Group in the MBSD Rules, there is also a TBA Netting Balance Order (SBON) fee of



\$1.00/MM.<sup>7</sup> The TBA Netting Balance Order (SBON) fee is the fee for SBON Trades that are generated from the TBA Netting System.<sup>8</sup> Pursuant to MBSD Rule 6, Section 1, each Clearing Member's SBO-Destined Trades in each Account in the TBA Netting System (other than SBO-Destined Trades that have been converted to Trade-for-Trade Transactions as provided in the MBSD Rules) will be netted by CUSIP on a monthly basis, and the TBA Netting System will generate SBON Trades.<sup>9</sup>

FICC is proposing to revise this trade processing fee from \$1.00/MM to \$1.20/MM.

FICC believes that this proposed increase in the TBA Netting Balance Order (SBON) fee would be consistent with FICC's cost plus low-margin pricing model and enable FICC to offset the expected decrease in MBSD revenue. As described above, FICC regularly reviews pricing levels against its costs of operation typically during the annual budget process. FICC determined during the 2023 annual budget process that the proposed increase in the TBA Netting Balance Order (SBON) fee would help better align costs to revenue and generate sufficient revenues to cover its operating costs plus generate a low net income margin (i.e., to be consistent with its cost plus low-margin

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<sup>7</sup> The term "TBA" or "To-Be-Announced" means a contract for the purchase or sale of a mortgage-backed security to be delivered at an agreed-upon future date because as of the transaction date, the seller has not yet identified certain terms of the contract, such as the pool number and number of pools, to the buyer. MBSD Rule 1, supra note 5.

<sup>8</sup> The term "SBO" means the settlement balance orders that constitute the net positions of a Clearing Member as a result of the TBA Netting process. The resulting transactions from this TBA Netting process are identified as SBON Trades. MBSD Rule 1, supra note 5.

<sup>9</sup> Supra note 5.

pricing model). As described above, due to the rising interest rate environment, FICC anticipates that transaction volumes for MBSD will continue to decrease, and therefore, MBSD revenue will also continue to decrease in 2023. As such, FICC believes the proposed increase in the TBA Netting Balance Order (SBON) fee would enable FICC to offset the expected decrease in MBSD revenue, and enable FICC to continue to generate sufficient revenues to cover its operating costs plus generate a low net income margin.

(ii) **DNA Request Fee**

The Do Not Allocate (“DNA”) process is the process by which Clearing Members that have two or more TBA Obligations with the same Par Amount, CUSIP Number and established date in the settlement cycle, may offset such transactions against one another.<sup>10</sup> In order to initiate the offset, Clearing Members are required to submit a request (“DNA Request”) to MBSD. Upon FICC’s receipt and verification of this request, the Clearing Member’s designated TBA Obligations will be offset, and as a result, a Clearing Member’s overall number of open TBA Obligations will be reduced.<sup>11</sup>

FICC charges a fee in connection with a Clearing Member’s request to include eligible trades in the above-described DNA process (such request is referred to as a “DNA Request”). Currently, in the MBSD Rules Schedule of Charges Dealer Account Group, the DNA Request fee is listed as \$1.25/MM.

FICC is proposing to revise this DNA Request fee from \$1.25/MM to \$1.50/MM.

FICC believes that this proposed increase in the DNA Request fee would be consistent with FICC’s cost plus low-margin pricing model and enable FICC to offset the

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<sup>10</sup> MBSD Rule 7, Section 3, supra note 5.

<sup>11</sup> Id.

expected decrease in MBSD revenues. As described above, FICC regularly reviews pricing levels against its costs of operation typically during the annual budget process. FICC determined during the 2023 annual budget process that the proposed increase in the DNA Request fee would help better align costs to revenue and enable FICC to generate sufficient revenue to cover its operating costs plus generate a low net income margin (i.e., to be consistent with its cost plus low-margin pricing model). As described above, due to the rising interest rate environment, FICC anticipates that transaction volumes for MBSD will continue to decrease, and therefore, MBSD revenue will also continue to decrease in 2023. As such, FICC believes the proposed increase in the DNA Request fee would enable FICC to offset the expected decrease in MBSD revenue, and enable FICC to continue to generate sufficient revenues to cover its operating costs plus generate a low net income margin.

**(iii) Matched Pool Instruct Fee**

Pursuant to MBSD Rule 8, Section 1, Pool Netting is a system for aggregating and matching offsetting allocated pools submitted by Clearing Members to satisfy: (i) settlement obligations associated with Trade-for-Trade Transactions and (ii) settlement obligations resulting from the TBA Netting system. Each Business Day, FICC will calculate and report to each Clearing Member each Pool Net Settlement Position of such Member. With respect to each such Pool Net Settlement Position, FICC will report to the Member the extent to which the Member is obligated to deliver Eligible Securities to FICC and/or to receive Eligible Securities from FICC in accordance with each such Pool Net Settlement Position.<sup>12</sup>

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<sup>12</sup> MBSD Rule 8, supra note 5.

In the Pool Netting fees section of the MBSD Rules Schedule of Charges Dealer Account Group, there is a fee for Matched Pool Instructs of \$1.00 per side. The fee for Matched Pool Instructs is the fee for pools that are submitted into Pool Netting.

FICC is proposing to increase this fee for Matched Pool Instructs from \$1.00 per side to \$1.20 per side.

FICC believes that this proposed increase in the Matched Pool Instruct fee would be consistent with FICC's cost plus low-margin pricing model and enable FICC to offset the expected decrease in MBSD revenue. As described above, FICC regularly reviews pricing levels against its costs of operation typically during the annual budget process. FICC determined during the 2023 annual budget process that the proposed increase in the Matched Pool Instruct fee would help better align costs to revenue and enable FICC to generate sufficient revenue to cover its operating costs plus generate a low net income margin (i.e., to be consistent with its cost plus low-margin pricing model). As described above, due to the rising interest rate environment, FICC anticipates that transaction volumes for MBSD will continue to decrease, and therefore, MBSD revenue will also continue to decrease in 2023. As such, FICC believes the proposed increase in the Matched Pool Instruct fee would enable FICC to offset the expected decrease in MBSD revenue, and enable FICC to continue to generate sufficient revenues to cover its operating costs plus generate a low net income margin.

**(iv) Account Maintenance Fee**

In the Account Maintenance fees section of the EPN Service Schedule of Charges in the EPN Rules, the current fee for Direct Accounts is \$1,000.00 per month (per account). FICC is proposing to revise this Account Maintenance fee for Direct

Accounts from \$1,000.00 per month (per account) to \$1,200.00 per month (per account). FICC has not increased the Account Maintenance fee for Direct Accounts since 2014.<sup>13</sup>

FICC believes that this proposed increase in the Account Maintenance fee for Direct Accounts would be consistent with FICC's cost plus low-margin pricing model and enable FICC to offset the expected decrease in MBSD revenue. As described above, FICC regularly reviews pricing levels against its costs of operation typically during the annual budget process. FICC determined during the 2023 annual budget process that the proposed increase in the Account Maintenance fee would help better align costs to revenue and enable FICC to generate sufficient revenue to cover its operating costs plus generate a low net income margin (i.e., to be consistent with its cost plus low-margin pricing model). As described above, FICC has not increased the Account Maintenance fee for Direct Accounts since 2014, and this proposed increase would enable FICC to offset the expected decrease in MBSD revenue, and enable FICC to continue to generate sufficient revenues to cover its operating costs plus generate a low net income margin.<sup>14</sup>

**(v) Message Processing Fees**

FICC's electronic pool notification service (the "EPN Service") provides Clearing Members and EPN Users with the ability to electronically communicate pool information to other EPN Users or FICC.

In connection with the EPN Service, certain message processing fees are charged. Specifically, there are fees for the following EPN message types: (i) Notification Send,

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<sup>13</sup> See Securities Exchange Act Release No. 72305 (June 4, 2014), 79 FR 33244 (June 10, 2014) (SR-FICC-2014-03).

<sup>14</sup> Id.

(ii) Notification Receive, (iii) Pool Substitution Cancel/Correct. The Notification Send fee is a fee for sending an EPN message type that provides MBS pool information and the Notification Receive fee is the fee for receiving an EPN message type that contains MBS pool information. Pool Substitution Cancel/Correct is an EPN message type that supports the simultaneous “cancel” of previously allocated pools and the “correct” notification of substituted pools; this EPN message type provides Clearing Members and EPN Users with a method of transmitting pool substitutions to their allocation counterparties. FICC charges a fee for this EPN message type.

FICC is also proposing to amend the “Message Processing Fees” in the EPN Service Schedule of Charges in the EPN Rules as described below:

<b><u>Message Processing Fees</u></b>	<b>Current Fees</b>	<b>Proposed Changes to Fees</b>
<i>ON Send:</i>		
Opening of Business to 1:00 p.m.	\$.19/million Current Face	\$.20/million Current Face
1:00 p.m. to 2:00 p.m.	\$.95/million Current Face	\$1.00/million Current Face
2:00 p.m. to 3:00 p.m.	\$1.90/million Current Face	\$2.00/million Current Face
3:00 p.m. to Close of Business	\$1.58/million Current Face	\$1.67/million Current Face
<i>ON Receive:</i>		
Opening of Business to 1:00 p.m.	\$.51/million Current Face	\$.54/million Current Face
1:00 p.m. to 2:00 p.m.	\$.26/million Current Face	\$.28/million Current Face
2:00 p.m. to 3:00 p.m.	\$.26/million Current Face	\$.28/million Current Face



<b><u>Message Processing Fees</u></b>	<b>Current Fees</b>	<b>Proposed Changes to Fees</b>
<b>Pool Substitution Cancel/Correct</b>		
<i>Cancel/Correct Send:</i>		
Open of Business up to 11:00 a.m.	\$0.19/million Current Face	\$0.20/million Current Face
11:00 a.m. up to 12:00 p.m.	\$0.95/million Current Face	\$1.00/million Current Face
12:00 p.m. up to 12:15 p.m.	\$1.90/million Current Face	\$2.00/million Current Face
12:15 p.m. to End of Day	\$0.19/million Current Face	\$0.20/million Current Face

FICC believes that the proposed increases in the above-described Message Processing fees would be consistent with FICC's cost plus low-margin pricing model and enable FICC to offset the expected decrease in MBSD revenue. As described above, FICC regularly reviews pricing levels against its costs of operation typically during the annual budget process. FICC determined during the 2023 annual budget process that the proposed increases in the Message Processing fees would help better align costs to revenue and enable FICC to generate sufficient revenue to cover its operating costs plus generate a low net income margin (i.e., to be consistent with its cost plus low-margin pricing model). As described above, due to the rising interest rate environment, FICC anticipates that transaction volumes for MBSD will continue to decrease, and therefore, MBSD revenue will also continue to decrease in 2023. As such, FICC believes the proposed increases in the Message Processing fees would enable FICC to offset the expected decrease in MBSD revenue, and enable FICC to continue to generate sufficient revenues to cover its operating costs plus generate a low net income margin.

**(vi) Expected Member Impact**

The proposed rule change is expected to increase FICC's annual revenue by approximately \$16.5 million.

In general, FICC anticipates that the proposal would result in fee increases for all MBSD Clearing Members and EPN Users. FICC anticipates that the proposal would result in a fee increase of (i) less than \$10,000 per year for approximately 53% of impacted affiliated MBSD Clearing Members and EPN Users, (ii) between \$10,000 and \$100,000 for approximately 30% of impacted affiliated MSBD Clearing Members and EPN Users, and (iii) more than \$100,000 for approximately 17% of impacted affiliated MBSD Clearing Members and EPN Users.

**(vii) Member Outreach**

FICC has conducted ongoing outreach to each Clearing Member and EPN User in order to provide them with notice of the proposed changes and the anticipated impact for the Clearing Members and EPN Users. As of the date of this filing, no written comments relating to the proposed changes have been received in response to this outreach. The Commission will be notified of any written comments received.

*Implementation Timeframe*

FICC would implement this proposal on January 1, 2023. As proposed, a legend would be added to the Schedule of Charges Broker Account Group in the MBSD Rules, the Schedule of Charges Dealer Account Group in the MBSD Rules, and the EPN Service Schedule of Charges in the EPN Rules, as appropriate, stating there are changes that became effective upon filing with the Commission but have not yet been implemented. The proposed legend would include the date on which such changes would

be implemented and the file number of this proposal, and state that once this proposal is implemented, the legend would automatically be removed.

## 2. Statutory Basis

Section 17A(b)(3)(D) of the Act requires that the rules of a clearing agency, such as FICC, provide for the equitable allocation of reasonable dues, fees, and other charges among its participants.<sup>15</sup> FICC believes that the proposed changes to increase (i) certain Trade Creates and Trade Processing fees, (ii) the DNA Request fee, (iii) the Matched Pool Instruct fee, (iv) an Account Maintenance fee, and (v) the Message Processing fees are consistent with this provision of the Act.<sup>16</sup>

FICC believes the proposed changes to increase (i) certain Trade Creates and Trade Processing fees, (ii) the DNA Request fee, (iii) the Matched Pool Instruct Fee, and (iv) the Message Processing fees, as described above, are consistent with Section 17A(b)(3)(D).<sup>17</sup> The proposal would provide for the equitable allocation of fees among participants because the proposal would apply to all participants, such that all Clearing Members and EPN Users, as applicable, would be subject to these proposed increases in these fees following the implementation of the proposed changes. The above-described fees are and would continue to be charged to all Clearing Members and EPN Users, as applicable, and are and would continue to be based on each Clearing Member's and each EPN User's utilization of MBSD's services. Specifically, each Clearing Member and

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

<sup>16</sup> Id.

<sup>17</sup> 15 U.S.C. 78q-1(b)(3)(D).

EPN User would be charged based on the volume of transactions and/or messages submitted to MBSD.

Similarly, FICC believes the above-described (i) Trade Create and Trade Processing fees, (ii) DNA Request fee, (iii) Matched Pool Instruct Fee, and (iv) Message Processing fees would continue to be reasonable fees under the proposed changes described above. The proposed changes to increase (i) certain Trade Creates and Trade Processing fees, (ii) the DNA Request fee, (iii) the Matched Pool Instruct Fee, and (iv) the Message Processing fees, as described above, would be consistent with FICC's cost plus low-margin pricing model. With the proposed changes to these fees, FICC believes it would still be able to continue to generate sufficient revenues to cover its operating costs plus generate a low net income margin. Furthermore, the proposed changes to these fees would enable FICC to offset the expected decrease in MBSD revenue attributed to the long-term structural change due to the rising interest rate environment. As described above, FICC expects the rising interest rate environment to be a long-term structural change which will continue to negatively impact MBSD revenue. Specifically, as a result of the rising interest rate market, FICC expects the decrease in transaction volumes for MBSD, and therefore, the decrease in revenues for MBSD, to continue in 2023. As such, FICC believes the proposed changes to increase (i) certain Trade Creates and Trade Processing fees, (ii) the DNA Request fee, (iii) the Matched Pool Instruct Fee, and (iv) the Message Processing fees would enable FICC to offset the above-described expected decrease in MBSD revenue due to the expected decrease in transaction volumes for MBSD because of rising interest rate environment.

FICC also believes the proposed change to increase the Account Maintenance fee for Direct Accounts is consistent with Section 17A(b)(3)(D) of the Act.<sup>18</sup> The proposal would provide for the equitable allocation of fees among participants because the proposal would apply to all participants, such that all Clearing Members and EPN Users with Direct Accounts would be subject to the proposed increase in the Account Maintenance fee for Direct Accounts.

In addition, FICC believes the Account Maintenance fee for Direct Accounts would continue to be a reasonable fee under the proposed change described above. The proposed change to increase the Account Maintenance fee for Direct Accounts would be consistent with FICC's cost plus low-margin pricing model, and as described above, FICC has not increased this fee since 2014. With the proposed change to this fee, FICC believes it would still be able to continue to generate sufficient revenues to cover its operating costs plus generate a low net income margin. FICC believes the proposed increase in the Account Maintenance fee for Direct Accounts would enable FICC to offset the expected decrease in MBSD revenue due to the expected decrease in transaction volumes for MBSD because of the rising interest rate environment.

Based on the foregoing, FICC believes the proposed rule change is consistent with Section 17A(b)(3)(D) of the Act.<sup>19</sup>

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

FICC believes that the proposed changes to increase (i) certain Trade Creates and Trade Processing fees, (ii) the DNA Request fee, (iii) the Matched Pool Instruct fee, (iv)

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<sup>18</sup> 15 U.S.C. 78q-1(b)(3)(D).

<sup>19</sup> Id.

an Account Maintenance fee, and (v) the Message Processing fees may impose a burden on competition. However, FICC believes any burden on competition that may result from the proposed fee increases would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.<sup>20</sup>

FICC believes the proposed changes to increase (i) certain Trade Creates and Trade Processing fees, (ii) the DNA Request fee, (iii) the Matched Pool Instruct fee, (iv) an Account Maintenance fee, and (v) the Message Processing fees are necessary because these proposed fee increases would provide FICC with the ability to achieve and maintain its net income margin. In addition, FICC believes these proposed fee increases are appropriate because these proposed fee increases would enable FICC to offset the expected decrease in revenue in MBSD due to the expected decrease in transaction volumes for MBSD because of the rising interest rate environment (which FICC believes is a long-term structural change).

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

FICC reviewed the proposed rule change with Clearing Members and EPN Users. FICC has not received any written comments relating to this proposal. If any additional 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

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<sup>20</sup> 15 U.S.C. 78q-1(b)(3)(I).



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-submit-comments>. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the SEC's Division of Trading and Markets at [tradingandmarkets@sec.gov](mailto:tradingandmarkets@sec.gov) or 202-551-5777.

### 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>21</sup> of the Act and paragraph (f)<sup>22</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:

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<sup>21</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>22</sup> 17 CFR 240.19b-4(f).

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-2022-009 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-FICC-2022-009. 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-2022-009 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>23</sup>

Secretary

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<sup>23</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 3**

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**EXHIBIT 5**

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

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

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

**FICC MORTGAGE-BACKED SECURITIES DIVISION  
SCHEDULE OF CHARGES BROKER ACCOUNT GROUP**

*[Changes to this Schedule of Charges Broker Account Group, as amended by File No. SR-FICC-2022-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes became effective upon filing with the Securities and Exchange Commission but have not yet been implemented. On January 1, 2023, these changes will be implemented and this legend will automatically be removed.]*

**I. FEES**

\* \* \*

**Trade Processing<sup>3</sup>**

Trade Creates	<del>\$ .20/side</del> <u>\$ .40/side</u>
Unmatched Trade Deletes	\$ 1.00/side
Trade Cancels	\$ 1.00/side
Change Terms	\$ 1.00/side

\* \* \*

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<sup>3</sup> Trades which are matched and canceled within the same processing pass are exempt from Trade Processing fees.

**FICC MORTGAGE-BACKED SECURITIES DIVISION  
SCHEDULE OF CHARGES DEALER ACCOUNT GROUP**

**[Changes to this Schedule of Charges Dealer Account Group, as amended by File No. SR-FICC-2022-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes became effective upon filing with the Securities and Exchange Commission but have not yet been implemented. On January 1, 2023, these changes will be implemented and this legend will automatically be removed.]**

**I. FEES**

\* \* \*

**Trade Processing<sup>3</sup>**

SBO Destined Trades	Par Value Millions/Mo.
Trade Creates	
01 - 2,500,000,000	<del>\$2.362.00</del> /MM
2,500,000,001 - 7,500,000,000	<del>\$1.861.58</del> /MM
7,500,000,001 - 12,500,000,000	<del>\$1.641.39</del> /MM
12,500,000,001 - 300,000,000,000	<del>\$1.401.19</del> /MM
300,000,000,001 and over	<del>\$1.371.16</del> /MM
TBA Netting Balance Orders (SBON)	<del>\$1.201.00</del> /MM
Unmatched Trade Deletes	\$1.00/side
Trade Cancels	\$4.00/side
Trade Netting Converts	\$1.00/side

\* \* \*

**Trade-for-Trade Transactions, Specified Pool Trades, and Stipulated Trades**

Trade Creates	<del>\$1.371.16</del> /MM
Unmatched Trade Deletes	\$1.00/side
Trade Cancels	\$4.00/side

<sup>3</sup> Trades which are matched and canceled within the same processing pass are exempt from Trade Processing fees.

## Option Trades

Trade Creates	<del>\$1.181.00</del> /MM
Unmatched Trade Deletes	\$1.00/side
Trade Cancels	\$4.00/side

## Do Not Allocate Process

DNA Request	<del>\$1.501.25</del> /MM
DNA Request Cancel (per DNA request)	\$4.00

## Pool Netting Fees

Matched Pool Instruct (per side)	<del>\$1.201.00</del>
CDR Pool Instruct Fee	\$0.20
Cancel of Matched Pool Instruct	\$0.40
Post Net Subs	\$0.20
MBSD Bank Allocation Fee	Calculated monthly based on MBSD bank clearance fees*

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\* The monthly fee will be calculated based on the bank fee allocated to MBSD divided by the number of compared Pool Instructs.

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

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

**[Changes to this EPN Service Schedule of Charges, as amended by File No. SR-FICC-2022-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes became effective upon filing with the Securities and Exchange Commission but have not yet been implemented. On January 1, 2023, these changes will be implemented and this legend will automatically be removed.]**

**ACCOUNT MAINTENANCE FEES**

Direct Account: **\$1,200.00**~~1,000.00~~/month (per account)

Investment Manager Accounts<sup>1</sup>

1 Account	\$ 1,000.00/Mo./each
2 or 3 Accounts	\$ 530.00/Mo./each
4 through 7 Accounts	\$ 430.00/Mo./each
8 through 10 Accounts	\$ 370.00/Mo./each
11 Accounts and over	\$ 340.00/Mo./each

\* \* \*

**MESSAGE PROCESSING FEES**

ON Send: **\$20.19**/million Current Face (Opening of Business to 1:00 p.m.)

**\$1.00.95**/million Current Face (1:00 p.m. to 2:00 p.m.)

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<sup>1</sup> The Account Maintenance fee for a Participant or EPN User, as applicable, that uses a common investment manager to process trades with the MBSD is based on the total number of Accounts maintained by such Participant or EPN User, as applicable, with an investment manager.

~~\$2.001.90~~/million Current Face (2:00 p.m. to 3:00 p.m.)

~~\$1.671.58~~/million Current Face (3:00 p.m. to Close of Business)

ON Receive:

~~\$54.51~~/million Current Face (Opening of Business to 1:00 p.m.)

~~\$28.26~~/million Current Face (1:00 p.m. to 2:00 p.m.)

~~\$28.26~~/million Current Face (2:00 p.m. to 3:00 p.m.)

No Charge (3:00 p.m. to Close of Business)

### **Pool Substitution Cancel/Correct**

Cancel/Correct Send:

~~\$0.200.19~~/million Current Face (Open of Business up to 11:00 a.m.)

~~\$1.000.95~~/million Current Face (11:00 a.m. up to 12:00 p.m.)

~~\$2.001.90~~/million Current Face (12:00 p.m. up to 12:15 p.m.)

~~\$0.200.19~~/million Current Face (12:15 p.m. to End of Day)