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Page 1 of * 21		SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No. * SR 2025 - * 002 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"/>	
Pilot <input type="checkbox"/>		Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	
		Rule			
		<input checked="" type="checkbox"/> 19b-4(f)(1)		<input 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)	
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/>			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>		
Exhibit 2 Sent As Paper Document <input type="checkbox"/>			Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
<b>Description</b> Provide a brief description of the action (limit 250 characters, required when Initial is checked *). <div>Revise the Provisions Concerning Funds-Only Settlement Amount Payments of the GSD Rules</div>					
<b>Contact Information</b> 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 * [Redacted] Last Name * [Redacted] Title * [Redacted] E-mail * RuleFilingAdmin@dtcc.com Telephone * [Redacted] Fax [Redacted]					
<b>Signature</b> Pursuant to the requirements of the Securities Exchange of 1934, Fixed Income Clearing Corporation has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized. Date 02/20/2025 (Title *) By [Redacted] [Redacted] (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: 2025.02.20 12:04:04 -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 - GSD Funds-Only Settlement

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 - GSD Funds-Only Settlement

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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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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Exhibit 5 - GSD Funds-Only Settlement

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 of Fixed Income Clearing Corporation (“FICC”) as provided in Exhibit 5 consists of modifications to FICC’s Government Securities Division (“GSD”) Rulebook (the “GSD Rules”) to revise the provisions concerning Funds-Only Settlement Amount (“FOS”) payments, to clarify (a) the designation of FOS payments as settlement and therefore not a collateral payment pursuant to the GSD Rule 4, (b) the point of finality for such payments, and (c) the discharge of obligations upon the payment or collection of a FOS payment. FICC is also proposing to remove FICC’s right to offset a FOS payment due to a Netting Member against any increased amount to Required Fund Deposit<sup>1</sup> requested by FICC from such Netting Member.<sup>2</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 February 19, 2025, 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**

The proposed rule change would amend the GSD Rules concerning FOS payments to clarify the designation of FOS payments as settlement and other clarifying changes.

FOS is FICC’s twice daily process of generating a net credit or debit cash amount for each Member and settling those cash amounts between Members and FICC. FOS is a cash-pass-through process, meaning that those Members that are in a net debit position are obligated to submit payments that are then used to pay Members that are in a net credit position. FOS also includes certain payments that are not pass-through payments, such as Invoice Amounts and Miscellaneous Adjustment Amounts.<sup>3</sup>

GSD FOS payments are set forth in Rule 13, Section 1. The FOS payments consist of (A) transaction adjustment payments for settlement purposes, (B) risk management-related amounts (such as various mark-to-market amounts), (C) security coupon and similar amounts, and (D) other amounts (such as the invoice amounts). GSD Rule 13 requires settling banks to

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<sup>1</sup> Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such terms in the GSD Rules, available at [www.dtcc.com/legal/rules-and-procedures](http://www.dtcc.com/legal/rules-and-procedures).

<sup>2</sup> Id.

<sup>3</sup> Id.

use the FRB's<sup>4</sup> National Settlement Service ("NSS")<sup>5</sup> to complete GSD funds-only settlement.<sup>6</sup> Net debits and credits of all Members using the same settling bank are further netted and reported<sup>7</sup> to the settling bank which is required to acknowledge the net-net debits or credits.<sup>8</sup> The settling banks then debit or credit the Members' accounts for which they settle.<sup>9</sup>

The objective of the proposed rule change is to provide FICC Members with greater clarity regarding the status of FOS payments as settlement payments rather than collateral payments pursuant to Rule 4, as well as designate the point of finality for such payments, and the discharge of obligations upon the payment or collection of a FOS payment.

### *FOS as Settlement*

FICC calculates FOS amounts based on the mark-to-market movement of each position as well as certain other factors (e.g., invoices), thereby, FOS payments constitute a settlement payment. Specifically, FOS payments made or collected pursuant to the process described below, constitute a settlement of the paying party's obligation to pay such amount. Unlike collateral collected pursuant to GSD Rule 4,<sup>10</sup> the recipient of a FOS payment is not required to return such settled FOS amount.

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<sup>4</sup> FRB means the Board of Governors of the Federal Reserve System and each Federal Reserve Bank, as appropriate. GSD Rule 1, supra note 1.

<sup>5</sup> NSS is a multilateral settlement service owned and operated by the FRB. The service is offered to depository institutions that settle for participants in clearinghouses, financial exchanges and other clearing and settlement groups. Settlement agents, acting on behalf of those depository institutions in a settlement arrangement, electronically submit settlement files to the FRB. Files are processed on receipt, and entries are automatically posted to the depository institutions' FRB accounts.

<sup>6</sup> GSD Rule 13, Section 5(j), supra note 1.

<sup>7</sup> GSD Rule 13, Section 2, supra note 1.

<sup>8</sup> GSD Rule 13, Section 5(b), supra note 1.

<sup>9</sup> Each Member is required to enter into a settling bank agreement with the settling bank that settles its account. GSD Rule 13, Section 4, supra note 1. In the settling bank agreement, the settling bank undertakes to perform settlement services on behalf of the Member which would include debiting or crediting the Member's account upon settlement.

<sup>10</sup> GSD Rule 4, Section 8, supra note 1.

*FOS Settlement Finality and Discharge of Obligations*

The point of finality for GSD funds-only settlement is defined by the Federal Reserve Bank Operating Circular 12,<sup>11</sup> which governs NSS processing by the FRB. The point of finality in accordance with Operating Circular 12 is, for debits, the time at which the Settler's Master Account is debited by the FRB,<sup>12</sup> and, for credits, the time at which the Settler's Master Account is credited by the FRB.<sup>13</sup> Therefore, the point of finality with respect to settlement for GSD funds-only settlement is the point at which each of the Master Accounts for FICC and the settling banks designated by each of the Members have been debited and credited through NSS pursuant to the Settlement File provided by the Settlement Agent.<sup>14</sup>

FICC has a settlement interface with its affiliate, The Depository Trust Company ("DTC"). DTC acts as Settlement Agent for FICC and for the Members' settling banks with respect to GSD funds-only settlement.<sup>15</sup> In submitting the NSS file, DTC, as Settlement Agent, submits instructions to cause the FRB accounts of the settling banks to be charged for their net-net debit balances and credited with their net-net credit balances. Members are required to engage a settling bank that meets FICC's settling bank limited membership criteria to effect money settlement via NSS on behalf of the Members.<sup>16</sup> Each settling bank is required to acknowledge the daily settlement balances and their intention to settle with FICC by the applicable deadlines or its refusal to settle by the applicable deadlines.<sup>17</sup> Once a settling bank has acknowledged the balances and its intention to settle, it must settle such amounts pursuant to the process set forth in the GSD Rules by the payment deadline established by FICC on FICC's posted time schedules.<sup>18</sup>

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<sup>11</sup> Federal Reserve Bank Operating Circular 12 (Multilateral Settlement), Effective Mar. 8, 2021 ("Operating Circular 12"), available at Operating Circulars | Federal Reserve Financial Services.

<sup>12</sup> See Section 5.4 of Operating Circular 12, supra note 11.

<sup>13</sup> See Section 5.6 of Operating Circular 12, supra note 11.

<sup>14</sup> See Section 1.2 of Operating Circular 12, Interpretive Guidance with Respect to Settlement Finality, Section 1, in the GSD Rules, supra note 1.

<sup>15</sup> GSD Rule 13, Section 5(g), supra note 1.

<sup>16</sup> GSD Rule 13, Section 4(a), supra note 1.

<sup>17</sup> GSD Rule 13, Section 5(b), supra note 1.

<sup>18</sup> GSD Rule 13, Section 5(f), supra note 1.

FICC processes GSD funds-only settlement debit and credit payments via the NSS twice daily by 10:00 a.m. and 4:30 p.m.<sup>19</sup> Upon payment or collection of a FOS payment pursuant to this process, the paying party's payment obligations described in GSD Rule 13 shall be discharged and satisfied in full.

*FOS Payment Offset Against Required Fund Deposit*

GSD Rule 13, Section 6 provides FICC the ability to retain and apply all or a portion of a FOS payment due from FICC to a Netting Member against any required increase to its Required Fund Deposit.<sup>20</sup> FICC proposes removal of this provision to prevent any ambiguity between FOS payments as settlement payments and margin deposited with FICC as collateral payments pursuant to GSD Rule 4.

***(ii) Proposed Rule Changes***

FICC is proposing to amend GSD Rule 13, Section 6 to clarify (a) the designation of FOS payments as settlement and therefore not a collateral payment pursuant to the GSD Rule 4, (b) the point of finality for such payments, and (c) the discharge of obligations upon the payment or collection of a FOS payment. FICC is also proposing to remove FICC's right to offset a FOS payment due to a Netting Member against any increased amount to Required Fund Deposit<sup>21</sup> requested by FICC from such Netting Member.

**(b) Statutory Basis**

Section 17A(b)(3)(F) of the Securities and Exchange Act of 1934 ("Act")<sup>22</sup> requires, in part, that the GSD Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions. The proposed rule change would provide additional transparency to FICC Members regarding the status of FOS payments as settlement payments rather than collateral payments pursuant to GSD Rule 4, as well as designate the point of finality for such payments, and the discharge of obligations upon the payment or collection of a FOS payment. The proposed rule change would also remove potential ambiguity in the GSD Rules related to FOS and margin requirements. Accordingly, the proposed rule change would ensure that the GSD Rules are transparent and clear, which would enable all stakeholders to readily understand their respective rights and obligations in connection with FICC's clearance and settlement of securities transactions. Therefore, FICC believes that the proposed rule change

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<sup>19</sup> Schedule of Timeframes in the GSD Rules, supra note 1.

<sup>20</sup> GSD Rule 13, Section 6, supra note 1.

<sup>21</sup> GSD Rule 4, supra note 1.

<sup>22</sup> 15 U.S.C. 78q-1(b)(3)(F).

would promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.<sup>23</sup>

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

FICC does not believe that the proposed rule change would impact competition.<sup>24</sup> The proposed rule change would provide greater transparency with respect to FOS payments processed through FICC. The proposed rule change would not change current practices of FICC and would not affect FICC Members' rights or obligations. As such, FICC believes that the proposed rule change would not impact FICC Members or 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 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 Securities and Exchange Commission ("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 [www.sec.gov/regulatory-actions/how-to-submit-comments](http://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.

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<sup>23</sup> Id.

<sup>24</sup> 15 U.S.C. 78q-1(b)(3)(I).

**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 change has become effective pursuant to paragraph A of Section 19(b)(3) of the Act.<sup>25</sup>

(b) The proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule.<sup>26</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.

**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 GSD Rules.

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<sup>25</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>26</sup> 17 CFR 240.19b-4(f)(1).



**EXHIBIT 1A**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-[\_\_\_\_]; File No. SR-FICC-2025-002)

[DATE]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Revise the Provisions Concerning Funds-Only Settlement Amount Payments of the GSD 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 February \_\_, 2025, 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)(1) 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 modifies the FICC’s Government Securities Division (“GSD”) Rulebook (the “GSD Rules”) to revise the provisions concerning Funds-Only Settlement Amount (“FOS”) payments, to clarify (a) the designation of FOS payments as settlement and therefore not a collateral payment pursuant to the GSD Rule 4, (b) 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)(1).

point of finality for such payments, and (c) the discharge of obligations upon the payment or collection of a FOS payment. FICC is also proposing to remove FICC's right to offset a FOS payment due to a Netting Member against any increased amount to Required Fund Deposit<sup>5</sup> requested by FICC from such Netting Member.<sup>6</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

The proposed rule change would amend the GSD Rules concerning FOS payments to clarify the designation of FOS payments as settlement and other clarifying changes.

FOS is FICC's twice daily process of generating a net credit or debit cash amount for each Member and settling those cash amounts between Members and FICC. FOS is a cash-pass-through process, meaning that those Members that are in a net debit position

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<sup>5</sup> Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such terms in the GSD Rules, available at [www.dtcc.com/legal/rules-and-procedures](http://www.dtcc.com/legal/rules-and-procedures).

<sup>6</sup> Id.

are obligated to submit payments that are then used to pay Members that are in a net credit position. FOS also includes certain payments that are not pass-through payments, such as Invoice Amounts and Miscellaneous Adjustment Amounts.<sup>7</sup>

GSD FOS payments are set forth in Rule 13, Section 1. The FOS payments consist of (A) transaction adjustment payments for settlement purposes, (B) risk management-related amounts (such as various mark-to-market amounts), (C) security coupon and similar amounts, and (D) other amounts (such as the invoice amounts). GSD Rule 13 requires settling banks to use the FRB's<sup>8</sup> National Settlement Service ("NSS")<sup>9</sup> to complete GSD funds-only settlement.<sup>10</sup> Net debits and credits of all Members using the same settling bank are further netted and reported<sup>11</sup> to the settling bank which is required to acknowledge the net-net debits or credits.<sup>12</sup> The settling banks then debit or credit the Members' accounts for which they settle.<sup>13</sup>

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<sup>7</sup> Id.

<sup>8</sup> FRB means the Board of Governors of the Federal Reserve System and each Federal Reserve Bank, as appropriate. GSD Rule 1, supra note 5.

<sup>9</sup> NSS is a multilateral settlement service owned and operated by the FRB. The service is offered to depository institutions that settle for participants in clearinghouses, financial exchanges and other clearing and settlement groups. Settlement agents, acting on behalf of those depository institutions in a settlement arrangement, electronically submit settlement files to the FRB. Files are processed on receipt, and entries are automatically posted to the depository institutions' FRB accounts.

<sup>10</sup> GSD Rule 13, Section 5(j), supra note 5.

<sup>11</sup> GSD Rule 13, Section 2, supra note 5.

<sup>12</sup> GSD Rule 13, Section 5(b), supra note 5.

<sup>13</sup> Each Member is required to enter into a settling bank agreement with the settling bank that settles its account. GSD Rule 13, Section 4, supra note 5. In the settling bank agreement, the settling bank undertakes to perform settlement

The objective of the proposed rule change is to provide FICC Members with greater clarity regarding the status of FOS payments as settlement payments rather than collateral payments pursuant to Rule 4, as well as designate the point of finality for such payments, and the discharge of obligations upon the payment or collection of a FOS payment.

*FOS as Settlement*

FICC calculates FOS amounts based on the mark-to-market movement of each position as well as certain other factors (e.g., invoices), thereby, FOS payments constitute a settlement payment. Specifically, FOS payments made or collected pursuant to the process described below, constitute a settlement of the paying party's obligation to pay such amount. Unlike collateral collected pursuant to GSD Rule 4,<sup>14</sup> the recipient of a FOS payment is not required to return such settled FOS amount.

*FOS Settlement Finality and Discharge of Obligations*

The point of finality for GSD funds-only settlement is defined by the Federal Reserve Bank Operating Circular 12,<sup>15</sup> which governs NSS processing by the FRB. The point of finality in accordance with Operating Circular 12 is, for debits, the time at which the Settler's Master Account is debited by the FRB,<sup>16</sup> and, for credits, the time at which

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services on behalf of the Member which would include debiting or crediting the Member's account upon settlement.

<sup>14</sup> GSD Rule 4, Section 8, supra note 5.

<sup>15</sup> Federal Reserve Bank Operating Circular 12 (Multilateral Settlement), Effective Mar. 8, 2021 ("Operating Circular 12"), available at Operating Circulars | Federal Reserve Financial Services.

<sup>16</sup> See Section 5.4 of Operating Circular 12, supra note 15.

the Settler's Master Account is credited by the FRB.<sup>17</sup> Therefore, the point of finality with respect to settlement for GSD funds-only settlement is the point at which each of the Master Accounts for FICC and the settling banks designated by each of the Members have been debited and credited through NSS pursuant to the Settlement File provided by the Settlement Agent.<sup>18</sup>

FICC has a settlement interface with its affiliate, The Depository Trust Company ("DTC"). DTC acts as Settlement Agent for FICC and for the Members' settling banks with respect to GSD funds-only settlement.<sup>19</sup> In submitting the NSS file, DTC, as Settlement Agent, submits instructions to cause the FRB accounts of the settling banks to be charged for their net-net debit balances and credited with their net-net credit balances. Members are required to engage a settling bank that meets FICC's settling bank limited membership criteria to effect money settlement via NSS on behalf of the Members.<sup>20</sup> Each settling bank is required to acknowledge the daily settlement balances and their intention to settle with FICC by the applicable deadlines or its refusal to settle by the applicable deadlines.<sup>21</sup> Once a settling bank has acknowledged the balances and its intention to settle, it must settle such amounts pursuant to the process set forth in the

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<sup>17</sup> See Section 5.6 of Operating Circular 12, supra note 15.

<sup>18</sup> See Section 1.2 of Operating Circular 12, Interpretive Guidance with Respect to Settlement Finality, Section 1, in the GSD Rules, supra note 5.

<sup>19</sup> GSD Rule 13, Section 5(g), supra note 5.

<sup>20</sup> GSD Rule 13, Section 4(a), supra note 5.

<sup>21</sup> GSD Rule 13, Section 5(b), supra note 5.

GSD Rules by the payment deadline established by FICC on FICC's posted time schedules.<sup>22</sup>

FICC processes GSD funds-only settlement debit and credit payments via the NSS twice daily by 10:00 a.m. and 4:30 p.m.<sup>23</sup> Upon payment or collection of a FOS payment pursuant to this process, the paying party's payment obligations described in GSD Rule 13 shall be discharged and satisfied in full.

*FOS Payment Offset Against Required Fund Deposit*

GSD Rule 13, Section 6 provides FICC the ability to retain and apply all or a portion of a FOS payment due from FICC to a Netting Member against any required increase to its Required Fund Deposit.<sup>24</sup> FICC proposes removal of this provision to prevent any ambiguity between FOS payments as settlement payments and margin deposited with FICC as collateral payments pursuant to GSD Rule 4.

***(ii) Proposed Rule Changes***

FICC is proposing to amend GSD Rule 13, Section 6 to clarify (a) the designation of FOS payments as settlement and therefore not a collateral payment pursuant to the GSD Rule 4, (b) the point of finality for such payments, and (c) the discharge of obligations upon the payment or collection of a FOS payment. FICC is also proposing to remove FICC's right to offset a FOS payment due to a Netting Member against any

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<sup>22</sup> GSD Rule 13, Section 5(f), supra note 5.

<sup>23</sup> Schedule of Timeframes in the GSD Rules, supra note 5.

<sup>24</sup> GSD Rule 13, Section 6, supra note 5.

increased amount to Required Fund Deposit<sup>25</sup> requested by FICC from such Netting Member.

2. Statutory Basis

Section 17A(b)(3)(F) of the Act<sup>26</sup> requires, in part, that the GSD Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions. The proposed rule change would provide additional transparency to FICC Members regarding the status of FOS payments as settlement payments rather than collateral payments pursuant to GSD Rule 4, as well as designate the point of finality for such payments, and the discharge of obligations upon the payment or collection of a FOS payment. The proposed rule change would also remove potential ambiguity in the GSD Rules related to FOS and margin requirements. Accordingly, the proposed rule change would ensure that the GSD Rules are transparent and clear, which would enable all stakeholders to readily understand their respective rights and obligations in connection with FICC's clearance and settlement of securities transactions. Therefore, FICC believes that the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.<sup>27</sup>

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<sup>25</sup> GSD Rule 4, supra note 5.

<sup>26</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>27</sup> Id.

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

FICC does not believe that the proposed rule change would impact competition.<sup>28</sup>

The proposed rule change would provide greater transparency with respect to FOS payments processed through FICC. The proposed rule change would not change current practices of FICC and would not affect FICC Members' rights or obligations. As such, FICC believes that the proposed rule change would not impact FICC Members or 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 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 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 [www.sec.gov/regulatory-actions/how-to-submit-comments](http://www.sec.gov/regulatory-actions/how-to-submit-comments). General questions regarding the rule filing process or logistical questions

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<sup>28</sup> 15 U.S.C. 78q-1(b)(3)(I).



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.

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) of the Act and paragraph (f) 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 ([www.sec.gov/rules/sro.shtml](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-2025-002 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-2025-002. 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 ([www.sec.gov/rules/sro.shtml](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 ([www.dtcc.com/legal/sec-rule-filings](http://www.dtcc.com/legal/sec-rule-filings)). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-FICC-2025-002 and should be submitted on or before [insert date 21 days after publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>29</sup>

Secretary

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<sup>29</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

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

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

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

## RULE 13 – FUNDS-ONLY SETTLEMENT

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### Section 6 – Acknowledgement and Payment Deadlines for Funds-Only Settlement Amounts

(a) The acknowledgement required to be made by the Funds-Only Settling Banks regarding their Net Funds-Only Settlement Figures pursuant to Section 5 of this Rule shall be made by the Acknowledgement Cutoff Time subject to Section 5(l) of this Rule.

(b) A Netting Member that has an obligation, pursuant to this Rule, to pay a Funds-Only Settlement Amount to the Corporation shall cause such payment to be made, pursuant to the process set forth in Section 5 of this Rule, in Federal funds, by the time stated in the Schedule of Timeframes.

(c) When a Netting Member is entitled, pursuant to this Rule, to collect a Funds-Only Settlement Amount from the Corporation, the Corporation shall cause such payment to be made, in Federal funds, pursuant to the process set forth in Section 5 of this Rule, by the time stated in the Schedule of Timeframes.

**(d) A Funds-Only Settlement Amount payment shall be settlement. A Funds-Only Settlement Amount payment shall be final, irrevocable, and unconditional no later than when such payment is made, pursuant to the process set forth in Section 5 of this Rule, in federal funds, by the time stated in the Schedule of Timeframes and the Interpretive Guidance with Respect to Settlement Finality in the Rules.**

**(e) The Corporation and each Netting Member agree that upon payment or collection of a Funds-Only Settlement Amount, such payment obligations described in this Rule 13 shall be discharged and satisfied in full.**

~~Notwithstanding anything to the contrary elsewhere in this Rule or in Rule 4, on any Business Day on which a Netting Member is notified by the Corporation that it must increase the amount of its Required Fund Deposit and the Netting Member has a Funds-Only Settlement Amount due it from the Corporation, in lieu of paying the Funds-Only Settlement Amount to the Netting Member, the Corporation may retain the lesser of the requested increase in the Required Fund Deposit or such Funds-Only Settlement Amount (or the entire Funds-Only Settlement Amount if the difference between the amounts is zero) and apply such amount against the Netting Member's obligation to increase its Required Fund Deposit. Notwithstanding the foregoing, if the Corporation receives from the Netting Member any portion of the requested increase in the Required Fund Deposit by a pre-established time before the Corporation's deadline to pay Funds-Only Settlement Amounts to Netting Members, the Corporation shall only be entitled to offset the Funds-Only Settlement Amount it owes to the Netting Member against the Netting Member's remaining obligation to increase its Required Fund Deposit, if any. The Corporation shall give Netting Members prior written notice of the pre-established time referred to above (and any changes thereto).~~

The obligations of the Corporation pursuant to this Rule shall not be affected by the late collection or non-collection by it of any Funds-Only Settlement Amount of which payment is owing from any Netting Member.

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