Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 34

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

File No. * SR 2025 - * 017
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 *).

Revise the Definition of the Backtesting Charge

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 * [redacted] Last Name * [redacted]

Title * [redacted]

E-mail * RuleFilingAdmin@dtcc.com

Telephone * [redacted] Fax

Signature

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 07/23/2025

By [redacted]
(Name *)

(Title *) [redacted]

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: 2025.07.23 12:09:07 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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Narrative - GSD Backtesting Charge -

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 - GSD Backtesting Charge - 2

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.

☐ Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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Exh 3 (Redacted) - GSD Backtesting C

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

☐ Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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Exh 5 - GSD Backtesting Charge - 202

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 Proposed Rule Change

(a) The proposed rule change of Fixed Income Clearing Corporation ("FICC") is provided in Exhibit 5 and consists of modifications to FICC's Government Securities Division ("GSD") Rulebook ("GSD Rules")[1] that would revise the definition of the Backtesting Charge to (1) clarify that the calculation of the backtesting coverage and any applicable Backtesting Charge does not include any amounts already collected as a Backtesting Charge; and (2) revise the calculation of both the backtesting coverage and any applicable Backtesting Charge to exclude all other margin amounts already collected intraday.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Risk Committee of FICC's Board of Directors on June 17, 2025.

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

(a) Purpose

FICC is proposing to revise the definition of Backtesting Charge in the GSD Rules to clarify the current calculation of that charge and adopt a change to the calculation.

First, the proposed changes would clarify in the GSD Rules that the backtesting coverage calculated in connection with the Backtesting Charge and the calculation of that charge for a Netting Member or Segregated Indirect Participant do not include amounts collected from that Netting Member or Segregated Indirect Participant as a Backtesting Charge. This change, and other drafting changes to the definition of the Backtesting Charge described below, would reflect FICC's current practice and provide Members with a better understanding of the calculation of this margin component.

Second, the proposed changes would revise the calculation of the backtesting coverage calculated in connection with the Backtesting Charge and the calculation of that charge by excluding amounts already collected intraday from the Netting Member or Segregated Indirect Participant as another component of the Required Fund Deposit or Segregated Customer Margin, as applicable. This proposed change would remove from these calculations an assumption that FICC would collect all intraday margin requirements before the Netting Member or Segregated Indirect Participant defaults. Therefore, the proposal would enhance FICC's ability to produce

[1] Terms not defined herein are defined in the GSD Rules, available at www.dtcc.com/legal/rules-and-procedures.

margin levels commensurate with the risks presented by its Members, in compliance with the requirements of Rule 17ad-22(e)(6)(i) under the Securities Exchange Act of 1934 ("Act").[2]

Background

FICC, through GSD, serves as a central counterparty and provider of clearance and settlement services for transactions in the U.S. government securities, as well as repurchase and reverse repurchase transactions involving U.S. government securities.[3] As part of its market risk management strategy,[4] FICC manages its credit exposure to Members by determining the appropriate Required Fund Deposit (or Segregated Customer Margin, when applicable) to the Clearing Fund and monitoring its sufficiency, as provided for in the GSD Rules.[5] Required Fund Deposits and Segregated Customer Margin deposits serve as margin.

The objective of a Member's Required Fund Deposits is to mitigate potential losses to FICC associated with liquidating a Member's portfolio in the event FICC ceases to act for that Member (hereinafter referred to as a "default").[6] The aggregate amount of all Members' Required Fund Deposits constitutes the Clearing Fund, and FICC would access the Clearing Fund should a defaulting Member's own Required Fund Deposit be insufficient to satisfy losses to FICC caused by the liquidation of that Member's portfolio.

Pursuant to the GSD Rules, each Member's Required Fund Deposit amount and each Segregated Indirect Participant's Segregated Customer Margin amount consists of a number of applicable components, each of which is calculated to address specific risks faced by FICC, as identified within the Margin Component Schedule in the GSD Rules.[7] These components include, as applicable, the VaR Charge, Blackout Period Exposure Adjustment, Backtesting

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2 17 CFR 240.17ad-22(e)(6)(i).

3 GSD also clears and settles certain transactions on securities issued or guaranteed by U.S. government agencies and government sponsored enterprises.

4 FICC's market risk management strategy is designed to comply with Rule 17ad-22(e)(4) under the Act, where these risks are referred to as "credit risks." 17 CFR 240.17ad-22(e)(4).

5 See GSD Rule 4 (Clearing Fund and Loss Allocation), supra note 1. Segregated Customer Margin is, generally, the margin that an Agent Clearing Member or Sponsoring Member is required to deposit with FICC to support the obligations of its Segregated Indirect Participants. See GSD Rule 1 (Definitions), id.

6 The GSD Rules identify when FICC may cease to act for a Member and the types of actions FICC may take. For example, FICC may suspend a firm's membership with FICC, or prohibit or limit a Member's access to FICC's services, in the event that Member defaults on a financial or other obligation to FICC. See GSD Rule 21 (Restrictions on Access to Services), id.

7 See GSD Rules (Margin Component Schedule), id.

Charge, Holiday Charge, Intraday Supplemental Fund Deposit, Margin Liquidity Adjustment Charge, and Portfolio Differential Charge.[8]

FICC employs daily backtesting to determine the adequacy of each Member's Required Fund Deposit and Segregated Indirect Participant's Segregated Customer Margin. Backtesting is performed both for internal reporting and in connection with the calculation of the Backtesting Charge margin component. Through this backtesting, FICC compares the Required Fund Deposit[9] for each Member with the simulated liquidation gains/losses using the actual positions in the Member's portfolio, and the actual historical security returns. FICC investigates the cause(s) of any backtesting deficiencies. As a part of this investigation, FICC pays particular attention to Members with backtesting deficiencies that bring the results for that Member below its 99 percent confidence target (*i.e.,* greater than two backtesting deficiency days in a rolling 12-month period) to determine if there is an identifiable cause of repeat backtesting deficiencies. FICC also evaluates whether multiple Members may experience backtesting deficiencies for the same underlying reason.

The Backtesting Charge is an additional charge that may be added to a Member's Required Fund Deposit or a Segregated Indirect Participant's Segregated Customer Margin at the start of the day and/or in an intraday margin collection.[10] As described in the Margin Component Schedule in the GSD Rules, FICC may assess a Backtesting Charge if a Member or Segregated Indirect Participant has a 12-month trailing backtesting coverage below the 99 percent backtesting coverage target. If assessed, the Backtesting Charge is generally equal to the Member's or Segregated Indirect Participant's third largest deficiency that occurred during the previous 12 months.[11] The GSD Rules provide FICC with the discretion to adjust the Backtesting Charge amount based on its assessment of the impact of other circumstances on the likelihood of, and estimated size of, future backtesting deficiencies for a Netting Member or Segregated Indirect Participant. Based on its assessment of the impact of these circumstances, FICC may, in its discretion, adjust the Backtesting Charge for a Netting Member or Segregated Indirect Participant in an amount that FICC determines to be more appropriate for maintaining such firm's backtesting results above the 99 percent coverage threshold (including a reasonable buffer).[12]

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8 Id.

9 For backtesting comparisons, FICC uses the Required Fund Deposit amount without regard to the actual collateral posted by the Member.

10 GSD Rules (Margin Component Schedule), supra note 1.

11 Id.

12 Such circumstances could include, for example, material differences in the three largest backtesting deficiencies observed over the prior 12-month period, variability in the net settlement activity after the collection of the Member's intraday Required Fund Deposit, seasonality in observed backtesting deficiencies and observed market price volatility in excess of the Member's historical VaR Charge(s).

The Backtesting Charge may be assessed on a Netting Member's or Segregated Indirect Participant's start of day portfolio (currently referred to in the GSD Rules as the "Regular Backtesting Charge") or on a Netting Member's or Segregated Indirect Participant's intraday portfolio (currently referred to in the GSD Rules as the "Intraday Backtesting Charge"). FICC calculates the Backtesting Charge at least monthly and, based on those calculations, may either impose a new Backtesting Charge or remove an existing Backtesting Charge, or FICC may either increase or decrease an existing Backtesting Charge as necessary to maintain its target backtesting coverage.

Proposed Changes to the Definition of the Backtesting Charge

FICC is proposing to make two changes to the definition of Backtesting Charge in the GSD Rules. The proposed changes would clarify FICC's existing practices in calculating this charge and reflect a change to that calculation.

First, the proposed rule changes would clarify FICC's current practices with respect to the Backtesting Charge. These changes would state that, in calculating a Netting Member's or Segregated Indirect Participant's backtesting coverage (for purposes of calculating the Backtesting Charge) and in calculating any applicable Backtesting Charge, FICC does not include amounts already collected as a Backtesting Charge from that Netting Member or Segregated Indirect Participant. As described above, the objective of the Backtesting Charge is to increase Required Fund Deposits for Netting Members and Segregated Indirect Participants that are likely to experience backtesting deficiencies by an amount sufficient to maintain such firm's backtesting coverage above the 99 percent confidence threshold. By excluding amounts already collected as a Backtesting Charge from this calculation, FICC is able to more accurately evaluate a firm's historical backtesting deficiencies to determine if any adjustment to its Backtesting Charge is appropriate.

FICC is also proposing to clarify in the definition of Backtesting Charge that the backtesting coverage calculation described therein is the coverage that is calculated for purposes of calculating the Backtesting Charge. FICC also performs backtesting for internal and regulatory reporting or other risk management purposes that may use a different methodology than the backtesting that is performed for purposes of calculating and assessing a Backtesting Charge. For example, FICC may include or exclude amounts already collected as a Backtesting Charge or as another margin component on an intraday basis in determining backtesting coverage for other risk management purposes. FICC's regulatory backtesting does not directly impact its Members and, therefore, is not described in the GSD Rules. However, because the two methodologies may differ, the proposed change would ensure no confusion between the different coverage calculations.

The proposed changes would also remove the defined terms for Intraday Backtesting Charge and Regular Backtesting Charge from the definition of the Backtesting Charge. The definition would continue to state that the Backtesting Charges may be calculated on both the start of day and intraday portfolio of Netting Members and Segregated Indirect Participants. However, because the Backtesting Charge that is calculated and collected at the start of day and intraday otherwise are identical, the two separate defined terms are not needed.

Together, these clarifications to the definition of Backtesting Charge would reflect FICC's current practice and provide Members with a better understanding of the calculation of this margin component.

Second, the proposed changes would revise the GSD Rules by excluding all other amounts that FICC has collected from a Netting Member or Segregated Indirect Participant intraday from the calculation of a Netting Member's or Segregated Indirect Participant's backtesting coverage (for purposes of calculating the Backtesting Charge) and in calculating any applicable Backtesting Charge. The rationale for this proposed change is the same as the rationale for excluding amounts already collected as a Backtesting Charge from the same calculations, as described above. Specifically, by excluding all margin resources that were collected intraday, the proposed change would make it less likely for FICC to undercount potential backtesting deficiencies. This change would remove from these calculations an assumption that FICC would collect all intraday margin requirements before the Netting Member or Segregated Indirect Participant default, because this assumption could underestimate the potential losses that FICC may experience if a Netting Member or Segregated Indirect Participant defaults prior to funding its intraday margin calls. Therefore, the proposal would enhance FICC's ability to produce margin levels commensurate with the risks presented by its Members, in compliance with the requirements of Rule 17ad-22(e)(6)(i) under the Act.[13]

Proposed GSD Rule Changes

FICC would modify the definition of Backtesting Charge in the Margin Component Schedule of the GSD Rules by removing the defined terms for "Intraday Backtesting Charge" and "Regular Backtesting Charge". The proposed changes would also modify the description of the 12-month backtesting coverage that is used in determining when a Backtesting Charge may apply to a Netting Member or Segregated Indirect Participant by stating "as such [backtesting] coverage is calculated for purposes of calculating the Backtesting Charge".

Finally, the proposed changes would include a paragraph in the definition of Backtesting Charge that states "[i]n calculating a Netting Member's or Segregated Indirect Participant's backtesting coverage (for purposes of calculating the Backtesting Charge) and in calculating any applicable Backtesting Charge, the Corporation would not include amounts already collected from that Netting Member or Segregated Indirect Participant as (i) a Backtesting Charge, and (ii) other components of the Required Fund Deposit or Segregated Customer Margin, as applicable, on an intraday basis pursuant to this Margin Component Schedule." This proposed change would both clarify FICC's existing practice and reflect the proposed change to its calculation methodology described herein.

Impact Study

FICC performed an impact study on Backtesting Charges collected for the period beginning June 3, 2024, through May 30, 2025 ("Impact Study Period'). If the proposed change to exclude amounts collected intraday had been in place during the Impact Study Period, the aggregate average daily Backtesting Charges would have increased by approximately

[13] 17 CFR 240.17ad-22(e)(6)(i).

$166.61MM or 121.2% for the start of the day margin cycle and $137.41MM or 90.3% for the intraday margin cycle at GSD. The impact study also indicated that if the proposed change had been in place, overall margin would have increased by approximately $166.61MM or 0.30% for the start of the day margin cycle and $137.41MM or 0.25% for the intraday margin cycle at GSD during the Impact Study Period.

During the Impact Study Period, 29 Netting Members would have been impacted by the proposed changes to the charges applied to the start of the day margin cycle, and 19 Netting Members would have been impacted by the proposed changes to the charges applied to the intraday margin cycle.[14] On average, at the impacted Member level, the proposed changes would have increased the Backtesting Charge applied during the start of the day margin cycle by approximately $5.95MM or 8.6% of each impacted Netting Member's overall margin requirement, and by approximately $7.61MM or 17.4% of each impacted Netting Member's overall margin requirement for the Backtesting Charge applied during the intraday margin cycle.

The largest average percentage and dollar increases in the start of the day margin requirement for any Netting Member would have been approximately 91.8%, or $97.26MM (0.16% of the Netting Member's average Net Capital).[15] The largest average percentage increase in the intraday margin requirement for any Netting Member would have been approximately 58.9%, or $6.09MM (0.01% of the Netting Member's average Net Capital). The largest average dollar increase in the intraday margin requirement for any Netting Member would have been approximately $46.52MM, or 48.1% (16.21% of the Netting Member's average Net Capital).

Implementation Timeframe

FICC would implement the proposed rule change by no later than 60 Business Days after approval by the Securities and Exchange Commission ("Commission"). FICC would announce the effective date of the proposed changes by an Important Notice posted to its website.

(b) Statutory Basis

FICC believes the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. In particular, FICC believes the proposed rule changes are consistent with Section 17A(b)(3)(F) of the Act,[16] and Rules 17ad-22(e)(6)(i) and (e)(23)(ii), promulgated under the Act,[17] for the reasons described below.

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14 FICC did not have any Segregated Indirect Participants during the Impact Study Period.

15 The term "Net Capital" means, as of a particular date, the amount equal to the net capital of a broker or dealer as defined in 17 CFR 240.15c3-1(c)(2), or any successor rule or regulation thereto. See GSD Rule 1 (Definitions), supra note 1.

16 15 U.S.C. 78q-1(b)(3)(F).

17 17 CFR 240.17ad-22(e)(6)(i) and (e)(23)(ii).

Section 17A(b)(3)(F) of the Act requires that the GSD Rules be designed to, among other things, promote the prompt and accurate clearance and settlement of securities transactions.[18] The proposed rule changes would provide Members with a clearer understanding of the methodology used to calculate the Backtesting Charge by including in the GSD Rules a clear description of the exclusion of both Backtesting Charges and other intraday margin components from that methodology. Members would be better able to anticipate their risk management obligations to FICC and, therefore, manage the risks their clearing activity presents to FICC when the GSD Rules are clearer and more transparent regarding the margin calculation methodology. FICC believes this result would promote the prompt and accurate clearance and settlement of securities transactions and, as such, the proposed changes would be consistent with Section 17A(b)(3)(F) of the Act.[19]

Rule 17ad-22(e)(6)(i) under the Act requires, in part, that FICC establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market.[20] FICC is proposing to enhance the calculation methodology of the backtesting coverage used for purposes of calculating the Backtesting Charge and the calculation of the Backtesting Charge by excluding from those calculations other components of the Required Fund Deposit or Segregated Customer Margin, as applicable, that had been collected on an intraday basis. This revision to the calculation methodology would remove an assumption that FICC's Netting Members or Segregated Indirect Participants would only default after they had met those intraday margin requirements. In this way, the revised calculation methodology for the backtesting coverage and Backtesting Charge would better cover FICC's credit exposures to these participants, consistent with the requirements of Rule 17ad-22(e)(6)(i).[21]

Rule 17ad-22(e)(23)(ii) under the Act requires that FICC establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for sufficient information to enable participants to identify and evaluate the risks, fees, and other material costs they incur by participating in the covered clearing agency.[22] The proposed rule change would enhance the definition of the Backtesting Charge by providing Members with a better understanding of the calculation methodology utilized for both the relevant backtesting coverage and the Backtesting Charge. The proposed rule change would also make revisions to that definition by removing unnecessary defined terms for "Intraday Backtesting Charge" and "Regular Backtesting Charge" in order to simplify the description of the Backtesting Charge. Finally, the proposed rule change would include additional clarification that the backtesting

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18 15 U.S.C. 78q-1(b)(3)(F).

19 Id.

20 17 CFR 240.17ad-22(e)(6)(i).

21 Id.

22 17 CFR 240.17ad-22(e)(23)(ii).

coverage referred to in the definition is the coverage that is a calculation for purposes of calculating the Backtesting Charge. These changes would collectively simplify the definition of the Backtesting Charge and provide Members with additional information regarding the related margin requirements. In this way, the proposal would enhance Members' ability to evaluate the risks and material costs they may incur by participating in FICC and, as such, FICC believes the proposed changes are consistent with the requirements of Rule 17ad-22(e)(23)(ii).[23]

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

Section 17A(b)(3)(I) of Act requires that the rules of a clearing agency do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.[24] FICC does not believe the proposed rule change would present any burden or have a material impact on competition.

First, the proposed changes are designed to ensure that the GSD Rules remain transparent, accurate and clear. The proposal would accomplish this by providing a clearer description of the calculation of the backtesting coverage and the Backtesting Charge, removing unnecessary defined terms for "Intraday Backtesting Charge" and "Regular Backtesting Charge" and clarifying in the GSD Rules that the backtesting coverage referenced therein is the coverage utilized in connection with calculating the Backtesting Charge. These proposed changes would not have an impact on competition.

Second, the proposed changes are intended to facilitate FICC's compliance with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. Specifically, the proposal would enhance the calculation of the backtesting coverage and Backtesting Charge to exclude additional components of the Required Fund Deposit or Segregated Customer Margin, as applicable, that had been collected on an intraday basis. This proposed change would remove an assumption that FICC's Netting Members or Segregated Indirect Participants would only default after they had met those intraday margin requirements. While this change could result in an increase to Members' Backtesting Charges, when such charges are applicable, the change would apply equally to all Members and would not inhibit access to FICC's services or favor any particular Member over another. Furthermore, the proposed enhancement would result in a calculation of the backtesting coverage and Backtesting Charge that would better cover FICC's credit exposures to its Members and, as such, FICC believes this proposed change is necessary and appropriate to facilitate its compliance with requirements of Rule 17ad-22(e)(6)(i) under the Act.[25] Therefore, FICC does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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23 Id.

24 15 U.S.C. 78q-1(b)(3)(I).

25 17 CFR 240.17ad-22(e)(6)(i).

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 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/rules-regulations/how-submit-comment. 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 or 202-551-5777.

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

6. Extension of Time Period for Commission Action

FICC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act[26] for Commission action.

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

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

(d) Not applicable.

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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[26] 15 U.S.C. 78s(b)(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 – Impact Study. ***Omitted and filed separately with the Commission. Confidential treatment of Exhibit 3 is requested pursuant to 17 CFR 240.24b-2.***

Exhibit 4 – Not applicable.

Exhibit 5 – Proposed changes to the GSD Rules.

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[_____]; File No. SR-FICC-2024-017)

[DATE]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change to Revise the Definition of the Backtesting Charge

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on July __, 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. 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 Government Securities Division ("GSD") Rulebook ("GSD Rules")[3] that would revise the definition of the Backtesting Charge to (1) clarify that the calculation of the backtesting coverage and any applicable Backtesting Charge does not include any amounts already collected as a Backtesting Charge; and (2) revise the calculation of both the backtesting coverage and any applicable Backtesting Charge to exclude all other margin amounts already collected intraday.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 Terms not defined herein are defined in the GSD Rules, available at www.dtcc.com/legal/rules-and-procedures.

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 revise the definition of Backtesting Charge in the GSD Rules to clarify the current calculation of that charge and adopt a change to the calculation.

First, the proposed changes would clarify in the GSD Rules that the backtesting coverage calculated in connection with the Backtesting Charge and the calculation of that charge for a Netting Member or Segregated Indirect Participant do not include amounts collected from that Netting Member or Segregated Indirect Participant as a Backtesting Charge. This change, and other drafting changes to the definition of the Backtesting Charge described below, would reflect FICC's current practice and provide Members with a better understanding of the calculation of this margin component.

Second, the proposed changes would revise the calculation of the backtesting coverage calculated in connection with the Backtesting Charge and the calculation of that charge by excluding amounts already collected intraday from the Netting Member or Segregated Indirect Participant as another component of the Required Fund Deposit or

Segregated Customer Margin, as applicable. This proposed change would remove from these calculations an assumption that FICC would collect all intraday margin requirements before the Netting Member or Segregated Indirect Participant defaults. Therefore, the proposal would enhance FICC's ability to produce margin levels commensurate with the risks presented by its Members, in compliance with the requirements of Rule 17ad-22(e)(6)(i) under the Act.[4]

Background

FICC, through GSD, serves as a central counterparty and provider of clearance and settlement services for transactions in the U.S. government securities, as well as repurchase and reverse repurchase transactions involving U.S. government securities.[5] As part of its market risk management strategy,[6] FICC manages its credit exposure to Members by determining the appropriate Required Fund Deposit (or Segregated Customer Margin, when applicable) to the Clearing Fund and monitoring its sufficiency, as provided for in the GSD Rules.[7] Required Fund Deposits and Segregated Customer Margin deposits serve as margin.

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4 17 CFR 240.17ad-22(e)(6)(i).

5 GSD also clears and settles certain transactions on securities issued or guaranteed by U.S. government agencies and government sponsored enterprises.

6 FICC's market risk management strategy is designed to comply with Rule 17ad-22(e)(4) under the Act, where these risks are referred to as "credit risks." 17 CFR 240.17ad-22(e)(4).

7 See GSD Rule 4 (Clearing Fund and Loss Allocation), supra note 3. Segregated Customer Margin is, generally, the margin that an Agent Clearing Member or Sponsoring Member is required to deposit with FICC to support the obligations of its Segregated Indirect Participants. See GSD Rule 1 (Definitions), id.

The objective of a Member's Required Fund Deposits is to mitigate potential losses to FICC associated with liquidating a Member's portfolio in the event FICC ceases to act for that Member (hereinafter referred to as a "default").[8] The aggregate amount of all Members' Required Fund Deposits constitutes the Clearing Fund, and FICC would access the Clearing Fund should a defaulting Member's own Required Fund Deposit be insufficient to satisfy losses to FICC caused by the liquidation of that Member's portfolio.

Pursuant to the GSD Rules, each Member's Required Fund Deposit amount and each Segregated Indirect Participant's Segregated Customer Margin amount consists of a number of applicable components, each of which is calculated to address specific risks faced by FICC, as identified within the Margin Component Schedule in the GSD Rules.[9] These components include, as applicable, the VaR Charge, Blackout Period Exposure Adjustment, Backtesting Charge, Holiday Charge, Intraday Supplemental Fund Deposit, Margin Liquidity Adjustment Charge, and Portfolio Differential Charge.[10]

FICC employs daily backtesting to determine the adequacy of each Member's Required Fund Deposit and Segregated Indirect Participant's Segregated Customer Margin. Backtesting is performed both for internal reporting and in connection with the calculation of the Backtesting Charge margin component. Through this backtesting, FICC

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8 The GSD Rules identify when FICC may cease to act for a Member and the types of actions FICC may take. For example, FICC may suspend a firm's membership with FICC, or prohibit or limit a Member's access to FICC's services, in the event that Member defaults on a financial or other obligation to FICC. See GSD Rule 21 (Restrictions on Access to Services), id.

9 See GSD Rules (Margin Component Schedule), id.

10 Id.

compares the Required Fund Deposit[11] for each Member with the simulated liquidation gains/losses using the actual positions in the Member's portfolio, and the actual historical security returns. FICC investigates the cause(s) of any backtesting deficiencies. As a part of this investigation, FICC pays particular attention to Members with backtesting deficiencies that bring the results for that Member below its 99 percent confidence target (*i.e.,* greater than two backtesting deficiency days in a rolling 12-month period) to determine if there is an identifiable cause of repeat backtesting deficiencies. FICC also evaluates whether multiple Members may experience backtesting deficiencies for the same underlying reason.

The Backtesting Charge is an additional charge that may be added to a Member's Required Fund Deposit or a Segregated Indirect Participant's Segregated Customer Margin at the start of the day and/or in an intraday margin collection.[12] As described in the Margin Component Schedule in the GSD Rules, FICC may assess a Backtesting Charge if a Member or Segregated Indirect Participant has a 12-month trailing backtesting coverage below the 99 percent backtesting coverage target. If assessed, the Backtesting Charge is generally equal to the Member's or Segregated Indirect Participant's third largest deficiency that occurred during the previous 12 months.[13] The GSD Rules provide FICC with the discretion to adjust the Backtesting Charge amount based on its assessment of the impact of other circumstances on the likelihood of, and

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11 For backtesting comparisons, FICC uses the Required Fund Deposit amount without regard to the actual collateral posted by the Member.

12 GSD Rules (Margin Component Schedule), supra note 3.

13 Id.

estimated size of, future backtesting deficiencies for a Netting Member or Segregated Indirect Participant. Based on its assessment of the impact of these circumstances, FICC may, in its discretion, adjust the Backtesting Charge for a Netting Member or Segregated Indirect Participant in an amount that FICC determines to be more appropriate for maintaining such firm's backtesting results above the 99 percent coverage threshold (including a reasonable buffer).[14]

The Backtesting Charge may be assessed on a Netting Member's or Segregated Indirect Participant's start of day portfolio (currently referred to in the GSD Rules as the "Regular Backtesting Charge") or on a Netting Member's or Segregated Indirect Participant's intraday portfolio (currently referred to in the GSD Rules as the "Intraday Backtesting Charge"). FICC calculates the Backtesting Charge at least monthly and, based on those calculations, may either impose a new Backtesting Charge or remove an existing Backtesting Charge, or FICC may either increase or decrease an existing Backtesting Charge as necessary to maintain its target backtesting coverage.

Proposed Changes to the Definition of the Backtesting Charge

FICC is proposing to make two changes to the definition of Backtesting Charge in the GSD Rules. The proposed changes would clarify FICC's existing practices in calculating this charge and reflect a change to that calculation.

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14 Such circumstances could include, for example, material differences in the three largest backtesting deficiencies observed over the prior 12-month period, variability in the net settlement activity after the collection of the Member's intraday Required Fund Deposit, seasonality in observed backtesting deficiencies and observed market price volatility in excess of the Member's historical VaR Charge(s).

First, the proposed rule changes would clarify FICC's current practices with respect to the Backtesting Charge. These changes would state that, in calculating a Netting Member's or Segregated Indirect Participant's backtesting coverage (for purposes of calculating the Backtesting Charge) and in calculating any applicable Backtesting Charge, FICC does not include amounts already collected as a Backtesting Charge from that Netting Member or Segregated Indirect Participant. As described above, the objective of the Backtesting Charge is to increase Required Fund Deposits for Netting Members and Segregated Indirect Participants that are likely to experience backtesting deficiencies by an amount sufficient to maintain such firm's backtesting coverage above the 99 percent confidence threshold. By excluding amounts already collected as a Backtesting Charge from this calculation, FICC is able to more accurately evaluate a firm's historical backtesting deficiencies to determine if any adjustment to its Backtesting Charge is appropriate.

FICC is also proposing to clarify in the definition of Backtesting Charge that the backtesting coverage calculation described therein is the coverage that is calculated for purposes of calculating the Backtesting Charge. FICC also performs backtesting for internal and regulatory reporting or other risk management purposes that may use a different methodology than the backtesting that is performed for purposes of calculating and assessing a Backtesting Charge. For example, FICC may include or exclude amounts already collected as a Backtesting Charge or as another margin component on an intraday basis in determining backtesting coverage for other risk management purposes. FICC's regulatory backtesting does not directly impact its Members and, therefore, is not

described in the GSD Rules. However, because the two methodologies may differ, the proposed change would ensure no confusion between the different coverage calculations.

The proposed changes would also remove the defined terms for Intraday Backtesting Charge and Regular Backtesting Charge from the definition of the Backtesting Charge. The definition would continue to state that the Backtesting Charges may be calculated on both the start of day and intraday portfolio of Netting Members and Segregated Indirect Participants. However, because the Backtesting Charge that is calculated and collected at the start of day and intraday otherwise are identical, the two separate defined terms are not needed.

Together, these clarifications to the definition of Backtesting Charge would reflect FICC's current practice and provide Members with a better understanding of the calculation of this margin component.

Second, the proposed changes would revise the GSD Rules by excluding all other amounts that FICC has collected from a Netting Member or Segregated Indirect Participant intraday from the calculation of a Netting Member's or Segregated Indirect Participant's backtesting coverage (for purposes of calculating the Backtesting Charge) and in calculating any applicable Backtesting Charge. The rationale for this proposed change is the same as the rationale for excluding amounts already collected as a Backtesting Charge from the same calculations, as described above. Specifically, by excluding all margin resources that were collected intraday, the proposed change would make it less likely for FICC to undercount potential backtesting deficiencies. This change would remove from these calculations an assumption that FICC would collect all intraday margin requirements before the Netting Member or Segregated Indirect Participant

default, because this assumption could underestimate the potential losses that FICC may experience if a Netting Member or Segregated Indirect Participant defaults prior to funding its intraday margin calls. Therefore, the proposal would enhance FICC's ability to produce margin levels commensurate with the risks presented by its Members, in compliance with the requirements of Rule 17ad-22(e)(6)(i) under the Act.[15]

Proposed GSD Rule Changes

FICC would modify the definition of Backtesting Charge in the Margin Component Schedule of the GSD Rules by removing the defined terms for "Intraday Backtesting Charge" and "Regular Backtesting Charge". The proposed changes would also modify the description of the 12-month backtesting coverage that is used in determining when a Backtesting Charge may apply to a Netting Member or Segregated Indirect Participant by stating "as such [backtesting] coverage is calculated for purposes of calculating the Backtesting Charge".

Finally, the proposed changes would include a paragraph in the definition of Backtesting Charge that states "[i]n calculating a Netting Member's or Segregated Indirect Participant's backtesting coverage (for purposes of calculating the Backtesting Charge) and in calculating any applicable Backtesting Charge, the Corporation would not include amounts already collected from that Netting Member or Segregated Indirect Participant as (i) a Backtesting Charge, and (ii) other components of the Required Fund Deposit or Segregated Customer Margin, as applicable, on an intraday basis pursuant to this Margin Component Schedule." This proposed change would both clarify FICC's

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15 17 CFR 240.17ad-22(e)(6)(i).

existing practice and reflect the proposed change to its calculation methodology described herein.

Impact Study

FICC performed an impact study on Backtesting Charges collected for the period beginning June 3, 2024, through May 30, 2025 ("Impact Study Period'). If the proposed change to exclude amounts collected intraday had been in place during the Impact Study Period, the aggregate average daily Backtesting Charges would have increased by approximately $166.61MM or 121.2% for the start of the day margin cycle and $137.41MM or 90.3% for the intraday margin cycle at GSD. The impact study also indicated that if the proposed change had been in place, overall margin would have increased by approximately $166.61MM or 0.30% for the start of the day margin cycle and $137.41MM or 0.25% for the intraday margin cycle at GSD during the Impact Study Period.

During the Impact Study Period, 29 Netting Members would have been impacted by the proposed changes to the charges applied to the start of the day margin cycle, and 19 Netting Members would have been impacted by the proposed changes to the charges applied to the intraday margin cycle.[16] On average, at the impacted Member level, the proposed changes would have increased the Backtesting Charge applied during the start of the day margin cycle by approximately $5.95MM or 8.6% of each impacted Netting Member's overall margin requirement, and by approximately $7.61MM or 17.4% of each

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16 FICC did not have any Segregated Indirect Participants during the Impact Study Period.

impacted Netting Member's overall margin requirement for the Backtesting Charge applied during the intraday margin cycle.

The largest average percentage and dollar increases in the start of the day margin requirement for any Netting Member would have been approximately 91.8%, or $97.26MM (0.16% of the Netting Member's average Net Capital).[17] The largest average percentage increase in the intraday margin requirement for any Netting Member would have been approximately 58.9%, or $6.09MM (0.01% of the Netting Member's average Net Capital). The largest average dollar increase in the intraday margin requirement for any Netting Member would have been approximately $46.52MM, or 48.1% (16.21% of the Netting Member's average Net Capital).

Implementation Timeframe

FICC would implement the proposed rule change by no later than 60 Business Days after approval by the Commission. FICC would announce the effective date of the proposed changes by an Important Notice posted to its website.

2. Statutory Basis

FICC believes the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. In particular, FICC believes the proposed rule changes are consistent with

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17 The term "Net Capital" means, as of a particular date, the amount equal to the net capital of a broker or dealer as defined in 17 CFR 240.15c3-1(c)(2), or any successor rule or regulation thereto. See GSD Rule 1 (Definitions), supra note 3.

Section 17A(b)(3)(F) of the Act,[18] and Rules 17ad-22(e)(6)(i) and (e)(23)(ii), promulgated under the Act,[19] for the reasons described below.

Section 17A(b)(3)(F) of the Act requires that the GSD Rules be designed to, among other things, promote the prompt and accurate clearance and settlement of securities transactions.[20] The proposed rule changes would provide Members with a clearer understanding of the methodology used to calculate the Backtesting Charge by including in the GSD Rules a clear description of the exclusion of both Backtesting Charges and other intraday margin components from that methodology. Members would be better able to anticipate their risk management obligations to FICC and, therefore, manage the risks their clearing activity presents to FICC when the GSD Rules are clearer and more transparent regarding the margin calculation methodology. FICC believes this result would promote the prompt and accurate clearance and settlement of securities transactions and, as such, the proposed changes would be consistent with Section 17A(b)(3)(F) of the Act.[21]

Rule 17ad-22(e)(6)(i) under the Act requires, in part, that FICC establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, considers, and produces margin levels commensurate with, the risks

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18 15 U.S.C. 78q-1(b)(3)(F).

19 17 CFR 240.17ad-22(e)(6)(i) and (e)(23)(ii).

20 15 U.S.C. 78q-1(b)(3)(F).

21 Id.

and particular attributes of each relevant product, portfolio, and market.[22] FICC is proposing to enhance the calculation methodology of the backtesting coverage used for purposes of calculating the Backtesting Charge and the calculation of the Backtesting Charge by excluding from those calculations other components of the Required Fund Deposit or Segregated Customer Margin, as applicable, that had been collected on an intraday basis. This revision to the calculation methodology would remove an assumption that FICC's Netting Members or Segregated Indirect Participants would only default after they had met those intraday margin requirements. In this way, the revised calculation methodology for the backtesting coverage and Backtesting Charge would better cover FICC's credit exposures to these participants, consistent with the requirements of Rule 17ad-22(e)(6)(i).[23]

Rule 17ad-22(e)(23)(ii) under the Act requires that FICC establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for sufficient information to enable participants to identify and evaluate the risks, fees, and other material costs they incur by participating in the covered clearing agency.[24] The proposed rule change would enhance the definition of the Backtesting Charge by providing Members with a better understanding of the calculation methodology utilized for both the relevant backtesting coverage and the Backtesting Charge. The proposed rule change would also make revisions to that definition by removing unnecessary defined terms for "Intraday Backtesting Charge" and "Regular Backtesting Charge" in order to

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22 17 CFR 240.17ad-22(e)(6)(i).

23 Id.

24 17 CFR 240.17ad-22(e)(23)(ii).

simplify the description of the Backtesting Charge. Finally, the proposed rule change would include additional clarification that the backtesting coverage referred to in the definition is the coverage that is a calculation for purposes of calculating the Backtesting Charge. These changes would collectively simplify the definition of the Backtesting Charge and provide Members with additional information regarding the related margin requirements. In this way, the proposal would enhance Members' ability to evaluate the risks and material costs they may incur by participating in FICC and, as such, FICC believes the proposed changes are consistent with the requirements of Rule 17ad-22(e)(23)(ii).[25]

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

Section 17A(b)(3)(I) of Act requires that the rules of a clearing agency do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.[26] FICC does not believe the proposed rule change would present any burden or have a material impact on competition.

First, the proposed changes are designed to ensure that the GSD Rules remain transparent, accurate and clear. The proposal would accomplish this by providing a clearer description of the calculation of the backtesting coverage and the Backtesting Charge, removing unnecessary defined terms for "Intraday Backtesting Charge" and "Regular Backtesting Charge" and clarifying in the GSD Rules that the backtesting coverage referenced therein is the coverage utilized in connection with calculating the Backtesting Charge. These proposed changes would not have an impact on competition.

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25 Id.

26 15 U.S.C. 78q-1(b)(3)(I).

Second, the proposed changes are intended to facilitate FICC's compliance with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. Specifically, the proposal would enhance the calculation of the backtesting coverage and Backtesting Charge to exclude additional components of the Required Fund Deposit or Segregated Customer Margin, as applicable, that had been collected on an intraday basis. This proposed change would remove an assumption that FICC's Netting Members or Segregated Indirect Participants would only default after they had met those intraday margin requirements. While this change could result in an increase to Members' Backtesting Charges, when such charges are applicable, the change would apply equally to all Members and would not inhibit access to FICC's services or favor any particular Member over another. Furthermore, the proposed enhancement would result in a calculation of the backtesting coverage and Backtesting Charge that would better cover FICC's credit exposures to its Members and, as such, FICC believes this proposed change is necessary and appropriate to facilitate its compliance with requirements of Rule 17ad-22(e)(6)(i) under the Act.[27] Therefore, FICC does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

(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.

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27 17 CFR 240.17ad-22(e)(6)(i).

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/rules-regulations/how-submit-comment. 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 or 202-551-5777.

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

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FICC-2024-017 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-2024-017. 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 (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-2024-017 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.[28]

Secretary

[28] 17 CFR 200.30-3(a)(12).

EXHIBIT 3

The information contained in this Exhibit 3 is subject to exemption from mandatory disclosure under Exemptions #4 and #8 of the Freedom of Information Act because the information concerns (i) trade secrets and commercial information that is privileged or confidential and (ii) the supervision of Fixed Income Clearing Corporation, which is a financial institution. This Exhibit 3 contains one or more electronic files embedded in a one-page document for filing efficiency, as listed below. The information contained in the embedded file or files is not intended for public disclosure. Accordingly, this Exhibit 3 has been redacted and confidential treatment requested pursuant to 17 CFR 240.24b-2. An unredacted version was filed separately and confidentially with the Securities and Exchange Commission.

Embedded File(s):

- Impact Study; spreadsheet file.

PAGE REDACTED IN ITS ENTIRETY

EXHIBIT 5

Bold and underlined text indicates proposed new language.

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

FIXED INCOME CLEARING CORPORATION

GOVERNMENT SECURITIES DIVISION RULEBOOK

MARGIN COMPONENT SCHEDULE

[Changes to this Schedule, as amended by File No. SR-FICC-2025-017, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than [*Insert date 60 Business Days after approval.]*, these changes will be implemented, and this legend will be automatically removed from this Schedule.]

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Section 5 – Definitions and Calculations of Clearing Fund Components

Backtesting Charge

The term "Backtesting Charge" means an additional charge that may be added to a Netting Member's Required Fund Deposit or Segregated Customer Margin Requirement to mitigate exposures to the Corporation caused by settlement risks that may not be adequately captured by the Corporation's portfolio volatility model. The Corporation may assess this charge on the start of the day portfolio of a Netting Member or Segregated Indirect Participant ~~**(the "Regular Backtesting Charge")**~~ and/or its intraday portfolios ~~**(the "Intraday Backtesting Charge"),**~~ as needed, to enable the Corporation to achieve its backtesting coverage target. The ~~**Regular**~~ Backtesting Charge ~~**and the Intraday Backtesting Charge**~~ may apply to Netting Members or Segregated Indirect Participants that have 12-month trailing backtesting coverage **(as such coverage is calculated for purposes of calculating the Backtesting Charge)** below the 99 percent backtesting coverage target, excluding deficiencies attributable to Blackout Period exposures. The ~~**Regular**~~ Backtesting Charge ~~**and the Intraday Backtesting Charge, as applicable,**~~ shall generally be equal to the third largest deficiency of the Netting Member or Segregated Indirect Participant that occurred during the previous 12 months. Deficiencies attributable to Blackout Period exposures would be included only during the Blackout Period. The Corporation may in its discretion adjust such charge if the Corporation determines that circumstances particular to the settlement activity of a Netting Member or Segregated Indirect Participant and/or market price volatility warrant a different approach to determining or applying such charge in a manner consistent with achieving the Corporation's backtesting coverage target.

In calculating a Netting Member's or Segregated Indirect Participant's backtesting coverage (for purposes of calculating the Backtesting Charge) and in calculating any applicable Backtesting Charge, the Corporation would not include amounts already collected from that Netting Member or Segregated Indirect Participant as (i) a Backtesting Charge, and (ii) other components of the Required Fund Deposit or Segregated Customer Margin, as applicable, on an intraday basis pursuant to this Margin Component Schedule.

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