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

File No. \* SR 2026 - \* 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 checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>
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Rule

<input 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) \*

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 \*).

Enhance the Correlation Calculation for Bond Haircut Models and Make Other Changes

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \*  Last Name \*

Title \*

E-mail \*

Telephone \*  Fax

**Signature**

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

Date  (Title \*)

By  (Name \*)

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

Date: 2026.01.27  
10:46:49 -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 Correlation Matrix - 2

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 Correlation Matrix - 202

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 Correlation M

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 (Redacted) - GSD Correlation M

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”) is provided in Exhibit 5.<sup>1</sup>

FICC is proposing to amend the Methodology Document – GSD Initial Market Risk Margin Model (“QRM Methodology Document”)<sup>2</sup> in order to enhance the correlation calculation for bond haircut models. In addition, FICC is proposing a technical change to the QRM Methodology Document.

FICC is requesting confidential treatment of the QRM Methodology Document and has filed it separately with the Secretary of the U.S. Securities and Exchange Commission (the “Commission”).<sup>3</sup>

(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 August 19, 2025.

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

<sup>2</sup> The QRM Methodology Document was filed as a confidential exhibit in the rule filing and advance notice for GSD sensitivity VaR. See Securities Exchange Act Release Nos. 83362 (June 1, 2018), 83 FR 26514 (June 7, 2018) (SR-FICC-2018-001) and 83223 (May 11, 2018), 83 FR 23020 (May 17, 2018) (SR-FICC-2018-801). The QRM Methodology Document has been subsequently amended. See Securities Exchange Act Release Nos. 85944 (May 24, 2019), 84 FR 25315 (May 31, 2019) (SR-FICC-2019-001), 90182 (Oct. 14, 2020), 85 FR 66630 (Oct. 20, 2020) (SR-FICC-2020-009), 93234 (Oct. 1, 2021), 86 FR 55891 (Oct. 7, 2021) (SR-FICC-2021-007), 95605 (Aug. 25, 2022), 87 FR 53522 (Aug. 31, 2022) (SR-FICC-2022-005), 97342 (Apr. 21, 2023), 88 FR 25721 (Apr. 27, 2023) (SR-FICC-2023-003), 99447 (Jan. 30, 2024), 89 FR 8260 (Feb. 6, 2024) (SR-FICC-2024-001), 101569 (Nov. 8, 2024), 89 FR 90109 (Nov. 14, 2024) (SR-FICC-2024-003), and 104116 (Sept. 29, 2025), 90 FR 47437 (Oct. 1, 2025) (SR-FICC-2025-018).

<sup>3</sup> 17 CFR 240.24b-2.

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

#### **(a) Purpose**

The purpose of this proposed rule change is to amend the QRM Methodology Document in order to enhance the correlation calculation for bond haircut models. FICC is also proposing to make a technical change to the QRM Methodology Document.

#### **Background**

FICC, through GSD, serves as a central counterparty and provider of clearance and settlement services for transactions in U.S. government securities, as well as repurchase and reverse repurchase transactions involving U.S. government securities. GSD also clears and settles certain transactions on securities issued or guaranteed by U.S. government agencies and government sponsored enterprises. As part of its market risk management strategy, FICC manages its credit exposure to Members by determining the appropriate Required Fund Deposit to the Clearing Fund and monitoring its sufficiency, as provided for in the GSD Rules.<sup>4</sup> The Required Fund Deposit serves as each Member’s margin.

The objective of a Member’s Required Fund Deposit 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”).<sup>5</sup> The aggregate amount of all Members’ Required Fund Deposits constitutes the Clearing Fund. 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.

At GSD, each Member is also responsible for the margin obligations arising from the activity of the Member’s indirect participant customers submitted to FICC via the sponsored membership service (“Sponsored Service”) and/or the Agent Clearing Service. FICC’s Sponsored Service permits Members that are approved to be Sponsoring Members, to sponsor certain institutional firms, referred to as “Sponsored Members,” into GSD membership.<sup>6</sup> FICC establishes and maintains a “Sponsoring Member Omnibus Account” on its books in which it records the transactions of the Sponsoring Member’s Sponsored Members (“Sponsored Member

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<sup>4</sup> See GSD Rule 4 (Clearing Fund and Loss Allocation), supra note 1. FICC’s market risk management strategy is designed to comply with Rule 17ad-22(e)(4) under the Securities Exchange Act of 1934 (“Act”), where these risks are referred to as “credit risks.” 17 CFR 240.17ad-22(e)(4).

<sup>5</sup> 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), supra note 1.

<sup>6</sup> See GSD Rule 3A (Sponsoring Members and Sponsored Members), supra note 1.

Trades”).<sup>7</sup> Similarly, FICC’s Agent Clearing Service permits Members that are approved to be Agent Clearing Members to submit activities of certain institutional firms, referred to as “Executing Firm Customers,” into FICC for clearing and settlement.<sup>8</sup> FICC establishes and maintains an “Agent Clearing Member Omnibus Account” on its books in which it records the transactions of the Agent Clearing Member’s Executing Firm Customers (“Agent Clearing Transactions”).<sup>9</sup>

Both the Sponsoring Members and the Agent Clearing Members have the option of segregating Sponsored Member Trades of a Sponsored Member and Agent Clearing Transactions of an Executing Firm Customer, as applicable, in separate accounts (i.e., Segregated Indirect Participants Accounts), each such Sponsored Member and Executing Firm Customer being referred to as a “Segregated Indirect Participant.” FICC manages its credit exposure to Segregated Indirect Participants by determining the appropriate Segregated Customer Margin Requirement and monitoring its sufficiency, as provided for in the GSD Rules.<sup>10</sup>

Pursuant to the GSD Rules, each Member’s Required Fund Deposit amount (and Segregated Customer Margin Requirement amount, to the extent applicable) consists of a number of components, each of which is calculated to address specific risks faced by FICC, as identified within the GSD Rules.<sup>11</sup> At GSD, these components include the VaR Charge, Blackout Period Exposure Adjustment, Backtesting Charge, Excess Capital Premium, Holiday Charge, Intraday Supplemental Fund Deposit, Intraday Mark-to-Market Charge, Margin Liquidity Adjustment Charge, Portfolio Differential Charge, Volatility Event Charge, and special charge.<sup>12</sup> The VaR Charge generally comprises the largest portion of a Member’s Required Fund Deposit and Segregated Customer Margin Requirement amounts.

The VaR Charge is based on the potential price volatility of unsettled positions using a sensitivity-based Value-at-Risk (“sensitivity VaR”) methodology and is designed to cover FICC’s projected liquidation losses with respect to a defaulted Member’s portfolio at a 99% confidence level. The sensitivity VaR methodology provides an estimate of the possible losses for a given portfolio based on: (1) confidence level, (2) a time horizon, and (3) historical market volatility. FICC uses historical simulation to estimate the impact of market volatilities on the

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<sup>7</sup> See GSD Rule 1 (definition of “Sponsored Member Trades”), supra note 1.

<sup>8</sup> See GSD Rule 8 (Agent Clearing Service), supra note 1.

<sup>9</sup> See GSD Rule 1 (definition of “Agent Clearing Transactions”), supra note 1.

<sup>10</sup> See GSD Margin Component Schedule, supra note 1.

<sup>11</sup> Supra note 1.

<sup>12</sup> These margin components and the relevant defined terms are located in GSD Rule 1 (Definitions) and/or the GSD Margin Component Schedule, supra note 1.

Member's portfolio. A haircut method is applied to securities with insufficient requisite data used to employ the sensitivity VaR approach, e.g., short-term bonds.

*Enhancing the Correlation Calculation for Bond Haircut Models*

The QRM Methodology Document provides the methodologies by which FICC calculates the VaR Charge, i.e., sensitivity VaR methodology and haircut methodology. Specifically, the QRM Methodology Document provides model inputs, parameters, and assumptions, among other information, for these methodologies.

Pursuant to the QRM Methodology Document, all short-term bonds (i.e., bonds with maturity of one-year or less) (including Treasury Inflation Protected Securities ("TIPS")) and bonds with no vendor provided sensitivity analytics data are subject to a haircut calculation. The haircut charges are calculated by placing the bonds into relevant maturity buckets, using correlations to account for cross-bucket effects. The correlations are calculated based on fixed income indices provided by a designated vendor. However, because the designated vendor does not currently provide index data for Treasury 0-6 months, Treasury 6-12 months, and TIPS 0-12 months maturity buckets, the correlations involving any of these three maturity buckets are manually set by FICC to zero.<sup>13</sup> Setting the correlation to zero for Treasury 0-6 months, Treasury 6-12 months, and TIPS 0-12 months maturity buckets may result in understated haircut charges. This is particularly true for directional portfolios with securities in adjacent maturity buckets, for example, one bond with 5 months to maturity and another with 7 months to maturity, because historical evidence shows short-term maturity buckets are substantially intercorrelated. To strengthen FICC's assessment of market risk for portfolios with bond positions in maturity buckets where the designated vendor does not provide index data, FICC proposes to enhance the correlation calculation for bond haircut models by permitting the use of index data from an alternate vendor in such cases.

FICC is proposing modifications to the QRM Methodology Document in order to enhance the correlation calculation for bond haircut models. Specifically, in the subsection of the QRM Methodology Document that describes calculation of haircut of Treasury and agency bonds without sensitivity analytics data, FICC would delete existing language regarding correlation parameter alternatives and replace it with new language to make it clear that, for fixed income indices not provided by the designated vendor, FICC may use data from another vendor to calculate the correlation. In addition, FICC would delete existing language that describes the current practice of assuming zero correlation for certain maturity buckets of short-term bonds. Furthermore, FICC is also proposing a technical change that corrects a section reference.

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<sup>13</sup> During the initial methodology development, the overall impact to the haircut charge due to correlations was expected to be limited. Consequently, when vendor index data is unavailable, correlations for Treasury 0-6 months, Treasury 6-12 months, and TIPS 0-12 months maturity buckets are set to zero. The decision to set such correlations to zero is intended to provide a clear and consistent framework for margin calculation, pending the availability of reliable index data from external vendors.

### Impact Study

FICC performed an impact study for the period beginning September 1, 2024 through August 31, 2025 (“Impact Study Period”), looking at Treasury 0-6 months, Treasury 6-12 months, and TIPS 0-12 months maturity buckets with a different correlation number than zero calculated based on index data provided by an alternate vendor. If the proposed rule change had been in place during the Impact Study Period compared to the existing GSD Rules, the average increase to the aggregate VaR Charges at GSD would be approximately \$46 million (or 0.09%), with the largest increase of approximately \$85 million (or 0.15%). The impact study indicated that, if the proposed rule change had been in place, the VaR model backtesting coverage would have remained unchanged at 99.85%.

Margin Proxy was not deployed during the Impact Study Period;<sup>14</sup> however, if the proposed rule change had been in place and Margin Proxy were deployed during the Impact Study Period, the average increase to the aggregate VaR Charges at GSD would be approximately \$88 million (or 0.16%), with the largest increase of approximately \$163 million (or 0.38%). The impact study indicated that, if the proposed rule change had been in place and Margin Proxy were deployed during the Impact Study Period, the VaR model backtesting coverage would have remained unchanged at 99.92%.

### Impact to Members over the Impact Study Period

If the proposed rule change had been in place during the Impact Study Period compared to the existing GSD Rules, on average, at the Member Margin Portfolio level, the proposed rule change would have increased the start of day (“SOD”) VaR Charge by approximately \$0.22 million, or 0.09%, over the Impact Study Period. The largest average percentage increase in SOD VaR Charge for any Member Margin Portfolio would have been approximately 14.52%, or \$0.38 million. The largest average dollar increase in SOD VaR Charge for any Member Margin Portfolio would have been approximately \$5.91 million, or 0.79%.

If the proposed rule change had been in place and Margin Proxy were deployed during the Impact Study Period, on average, at the Member Margin Portfolio level, the proposed rule change would have increased the SOD VaR Charge by approximately \$0.42 million, or 0.16% over the Impact Study Period. The largest average percentage increase in SOD VaR Charge for any Member Margin Portfolio would have been approximately 23.18%, or \$0.59 million. The largest average dollar increase in SOD VaR Charge for any Member Margin Portfolio would have been approximately \$17.35 million, or 0.34%.

### (b) Statutory Basis

FICC believes this proposal is consistent with the requirements of the Act, and the rules and regulations thereunder applicable to a registered clearing agency. Specifically, FICC

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<sup>14</sup> FICC can deploy Margin Proxy as a back-up VaR Charge calculation in the event that FICC experiences a data disruption with its third-party vendor. See GSD Margin Component Schedule (definition of “Margin Proxy”), supra note 1.

believes that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act<sup>15</sup> and Rules 17ad-22(e)(4)(i) and (e)(6)(i) promulgated thereunder<sup>16</sup> for the reasons described below.

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to, among other things, assure the safeguarding of securities and funds which are in the custody or control of the clearing agency.<sup>17</sup> FICC believes the proposed change to enhance the correlation calculation for bond haircut models is designed to assure the safeguarding of securities and funds which are in its custody or control because it is designed to mitigate FICC's risk exposure from bond positions held in Members' portfolios. Specifically, the proposed enhancement would allow FICC to collect financial resources to mitigate credit risk exposure resulting from bonds held in Members' portfolios.

The Clearing Fund/Segregated Customer Margin is a key tool that FICC uses to mitigate potential losses to FICC associated with liquidating a Member's portfolio in the event of Member default. Therefore, the proposed change to enhance the correlation calculation for bond haircut models would enable FICC to better address credit risk exposure resulting from bonds held in Members' portfolios such that, in the event of a Member default, FICC's operations would not be disrupted, and non-defaulting Members would not be exposed to losses they cannot anticipate or control. In this way, the proposed change to enhance the correlation calculation for bond haircut models would assure the safeguarding of securities and funds which are in the custody or control of FICC, consistent with Section 17A(b)(3)(F) of the Act.<sup>18</sup>

FICC believes the proposed change to make a technical change to the QRM Methodology Document would enhance the accuracy of the QRM Methodology Document for FICC. The QRM Methodology Document is used by FICC risk management personnel for the calculation of margin requirements. Having an accurate QRM Methodology Document will help facilitate the accurate and smooth functioning of the margining process at FICC. The proposed technical change would promote such accuracy. This would in turn enable FICC risk management to assess an appropriate level of margin for Members. As such, FICC believes that the proposed technical change to the QRM Methodology Document would assure the safeguarding of securities and funds which are in the custody or control of FICC, consistent with Section 17A(b)(3)(F) of the Act.<sup>19</sup>

The proposed change to enhance the correlation calculation for bond haircut models has also been designed to be consistent with Rules 17ad-22(e)(4)(i) and (e)(6)(i) under the Act.<sup>20</sup>

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

<sup>16</sup> 17 CFR 240.17ad-22(e)(4)(i) and (e)(6)(i).

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

<sup>18</sup> Id.

<sup>19</sup> Id.

<sup>20</sup> 17 CFR 240.17ad-22(e)(4)(i) and (e)(6)(i).

Rule 17ad-22(e)(4)(i) under the Act requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those exposures arising from its payment, clearing, and settlement processes by maintaining sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence.<sup>21</sup> As described above, the proposed change to permit the use of index data from an alternate vendor when the designated vendor does not provide such data would enhance the correlation calculation for bond haircut models, which in turn would help address the identification, measurement, monitoring and management of credit exposures that may arise from bonds held in Members' portfolios. By enhancing the correlation calculation for bond haircut models, the proposed change would enable FICC to have rule provisions that are reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to Members and those exposures arising from its payment, clearing, and settlement processes, which FICC believes is consistent with Rule 17ad-22(e)(4)(i). Moreover, the proposed change would enable FICC to better identify, measure, monitor, and, through the collection of Members' Required Fund Deposits and Segregated Customer Margin Requirements, manage its credit exposures to Members by maintaining sufficient resources to cover those credit exposures fully with a high degree of confidence. The proposed correlation calculation change for bond haircut models as described above would help improve FICC's ability to determine the appropriate bond haircut charges, thus ensuring Members' portfolio risks are adequately identified, measured and monitored. It would help ensure that the margin FICC collects from Members is sufficient to mitigate the credit exposure presented by the Members. As a result, FICC believes that the proposal would enhance FICC's ability to effectively identify, measure, and monitor its credit exposures and would enhance its ability to maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence, consistent with the requirements of Rule 17ad-22(e)(4)(i) under the Act.<sup>22</sup>

Rule 17ad-22(e)(6)(i) under the Act requires, among other things, a covered clearing agency to 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.<sup>23</sup> FICC believes that the proposed change to enhance the correlation calculation for bond haircut models is consistent with the requirements of Rule 17ad-22(e)(6)(i) cited above. The Required Fund Deposits and Segregated Customer Margin Requirements are comprised of risk-based components (as margin) that are calculated and assessed daily to limit FICC's credit exposures to Members. FICC is proposing a change that is designed to make the bond haircut models more effective in measuring and addressing credit risk. The proposed change to the correlation calculation for bond haircut models would help to ensure margin levels are commensurate with the risk exposure that arises from bonds held in Members' portfolios. It would also help ensure the

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<sup>21</sup> 17 CFR 240.17ad-22(e)(4)(i).

<sup>22</sup> Id.

<sup>23</sup> 17 CFR 240.17ad-22(e)(6)(i).

margin that FICC collects from Members is sufficient to mitigate the credit exposure presented by the Members. Overall, this proposed change would allow FICC to more effectively address the risks presented by Members. In this way, the proposed change to the correlation calculation for bond haircut models would enhance the ability of FICC to produce margin levels commensurate with the risks and particular attributes of each relevant product, portfolio, and market. As such, FICC believes that this proposed change is consistent with the requirements of Rule 17ad-22(e)(6)(i) under the Act.<sup>24</sup>

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

FICC believes the proposed change to enhance the correlation calculation for bond haircut models could impose a burden on competition. As a result of this proposed change, participants may experience increases in their Required Fund Deposits and/or Segregated Customer Margin Requirements. Such increases could burden participants that have lower operating margins or higher costs of capital than other participants. It is not clear whether the burden on competition would necessarily be significant because it would depend on whether the affected participants were similarly situated in terms of business type and size; however, regardless of whether the burden on competition is significant, FICC believes that any burden on competition would be necessary and appropriate in furtherance of the purposes of the Act.

Specifically, as described in this filing and further below, FICC believes that the above-described burden on competition that may be created by this proposed change would be necessary in furtherance of the purposes of the Act because the rules of a clearing agency must be designed to assure the safeguarding of securities and funds that are in FICC's custody or control, consistent with Section 17A(b)(3)(F) of the Act.<sup>25</sup> FICC believes that the proposed change to the correlation calculation for bond haircut models as described above would enable FICC to further improve margin resilience with respect to bonds held in Members' portfolios such that, in the event of a Member default, FICC's operations would not be disrupted and non-defaulting Members would not be exposed to losses they cannot anticipate or control. As such, this proposed change is designed to assure the safeguarding of securities and funds which are in the custody or control of FICC, consistent with Section 17A(b)(3)(F) of the Act.

FICC also believes the proposed change to the correlation calculation for bond haircut models is necessary to support FICC's compliance with Rules 17ad-22(e)(4)(i) and (e)(6)(i) under the Act,<sup>26</sup> which require FICC to establish, implement, maintain, and enforce written policies and procedures reasonably designed to (x) effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes and (y) 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.

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<sup>24</sup> Id.

<sup>25</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>26</sup> 17 CFR 240.17ad-22(e)(4)(i) and (e)(6)(i).

As described above, FICC believes that the proposed change to the correlation calculation for bond haircut models would allow FICC to better mitigate risk exposure resulting from bonds held in Members' portfolios. Accordingly, FICC believes that this proposed change would allow FICC to effectively identify, measure, monitor, and manage its credit exposures to participants and better limit FICC's credit exposures to participants and cover its credit exposures to its participants by producing margin levels commensurate with the risks and particular attributes of each relevant product, portfolio, and market, consistent with the requirements of Rules 17ad-22(e)(4)(i) and (e)(6)(i) under the Act.<sup>27</sup>

FICC also believes that the above-described burden on competition that could be created by the proposed change to the correlation calculation for bond haircut models would be appropriate in furtherance of the purposes of the Act because such change has been appropriately designed to assure the safeguarding of securities and funds which are in the custody or control of FICC, as described in detail above. The proposed change to the correlation calculation for bond haircut models is specifically designed to cover risk exposures from bonds held in Members' portfolios. Any increase in Required Fund Deposit and/or Segregated Customer Margin Requirement as a result of such proposed change for a particular participant would be in direct relation to the specific risks presented by such participant's portfolio, and each participant's Required Fund Deposit and/or Segregated Customer Margin Requirement would continue to be calculated with the same parameters and at the same confidence level. Therefore, participants with portfolios that present similar risks, regardless of the type of participant, would have similar impacts on their Required Fund Deposit and/or Segregated Customer Margin Requirement amounts. In addition, the proposed change to the correlation calculation for bond haircut models would improve the risk-based margining methodology that FICC employs to set margin requirements and better limit FICC's credit exposures to its participants. Therefore, because the proposed change is designed to provide FICC with a more appropriate and complete measure of the risks presented by participants' portfolios, FICC believes this proposed change is appropriately designed to meet its risk management goals and its regulatory obligations.

Accordingly, FICC does not believe that the proposed change to the correlation calculation for bond haircut models would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.<sup>28</sup>

FICC does not believe the proposed technical change to the QRM Methodology Document would have any impact on competition. This proposed change would enhance the QRM Methodology Document by providing additional accuracy. The proposed technical change would not advantage or disadvantage any particular Member of FICC or unfairly inhibit access to FICC's services. FICC therefore does not believe the proposed technical change would have any impact, or impose any burden, on competition.

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<sup>27</sup> Id.

<sup>28</sup> 15 U.S.C. 78q-1(b)(3)(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 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](http://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 Commission’s Division of Trading and Markets at [tradingandmarkets@sec.gov](mailto:tradingandmarkets@sec.gov) or 202-551-5777.

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

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

FICC does not consent to an extension of the time period specified in Section (b)(2) of the Act<sup>29</sup> 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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<sup>29</sup> 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 – FICC Impact Study. *Omitted and filed separately with the Commission. Confidential treatment of this Exhibit 3 is requested pursuant to 17 CFR 240.24b-2.*

Exhibit 4 – Not applicable.

Exhibit 5 – Proposed changes to the QRM Methodology Document. *Omitted and filed separately with the Commission. Confidential treatment of this Exhibit 5 is requested pursuant to 17 CFR 240.24b-2.*

**EXHIBIT 1A**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-[\_\_\_\_\_]; File No. SR-FICC-2026-002)

[DATE]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change to Enhance the Correlation Calculation for Bond Haircut Models and Make Other Changes

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 January \_\_, 2026, 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<sup>3</sup> consists of amendments to the Methodology Document – GSD Initial Market Risk Margin Model (“QRM Methodology Document”)<sup>4</sup>

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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> Capitalized terms used herein and not defined shall have the meaning assigned to such terms in the FICC Government Securities Division (“GSD”) Rulebook (“GSD Rules”), available at [www.dtcc.com/legal/rules-and-procedures](http://www.dtcc.com/legal/rules-and-procedures).

<sup>4</sup> The QRM Methodology Document was filed as a confidential exhibit in the rule filing and advance notice for GSD sensitivity VaR. See Securities Exchange Act Release Nos. 83362 (June 1, 2018), 83 FR 26514 (June 7, 2018) (SR-FICC-2018-001) and 83223 (May 11, 2018), 83 FR 23020 (May 17, 2018) (SR-FICC-2018-801). The QRM Methodology Document has been subsequently amended. See Securities Exchange Act Release Nos. 85944 (May 24, 2019), 84 FR 25315 (May 31, 2019) (SR-FICC-2019-001), 90182 (Oct. 14, 2020), 85 FR 66630 (Oct. 20, 2020) (SR-FICC-2020-009), 93234 (Oct. 1, 2021), 86 FR 55891 (Oct. 7, 2021) (SR-FICC-2021-007), 95605 (Aug. 25, 2022), 87 FR 53522 (Aug. 31,

in order to enhance the correlation calculation for bond haircut models. In addition, FICC is proposing a technical change to the QRM Methodology Document.

FICC is requesting confidential treatment of the QRM Methodology Document and has filed it separately with the Secretary of the Commission.<sup>5</sup>

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

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

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

1. Purpose

The purpose of this proposed rule change is to amend the QRM Methodology Document in order to enhance the correlation calculation for bond haircut models. FICC is also proposing to make a technical change to the QRM Methodology Document.

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2022) (SR-FICC-2022-005), 97342 (Apr. 21, 2023), 88 FR 25721 (Apr. 27, 2023) (SR-FICC-2023-003), 99447 (Jan. 30, 2024), 89 FR 8260 (Feb. 6, 2024) (SR-FICC-2024-001), 101569 (Nov. 8, 2024), 89 FR 90109 (Nov. 14, 2024) (SR-FICC-2024-003), and 104116 (Sept. 29, 2025), 90 FR 47437 (Oct. 1, 2025) (SR-FICC-2025-018).

<sup>5</sup> 17 CFR 240.24b-2.

Background

FICC, through GSD, serves as a central counterparty and provider of clearance and settlement services for transactions in U.S. government securities, as well as repurchase and reverse repurchase transactions involving U.S. government securities. GSD also clears and settles certain transactions on securities issued or guaranteed by U.S. government agencies and government sponsored enterprises. As part of its market risk management strategy, FICC manages its credit exposure to Members by determining the appropriate Required Fund Deposit to the Clearing Fund and monitoring its sufficiency, as provided for in the GSD Rules.<sup>6</sup> The Required Fund Deposit serves as each Member's margin.

The objective of a Member's Required Fund Deposit 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").<sup>7</sup> The aggregate amount of all Members' Required Fund Deposits constitutes the Clearing Fund. 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.

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<sup>6</sup> See GSD Rule 4 (Clearing Fund and Loss Allocation), supra note 3. 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).

<sup>7</sup> 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), supra note 3.

At GSD, each Member is also responsible for the margin obligations arising from the activity of the Member's indirect participant customers submitted to FICC via the sponsored membership service ("Sponsored Service") and/or the Agent Clearing Service. FICC's Sponsored Service permits Members that are approved to be Sponsoring Members, to sponsor certain institutional firms, referred to as "Sponsored Members," into GSD membership.<sup>8</sup> FICC establishes and maintains a "Sponsoring Member Omnibus Account" on its books in which it records the transactions of the Sponsoring Member's Sponsored Members ("Sponsored Member Trades").<sup>9</sup> Similarly, FICC's Agent Clearing Service permits Members that are approved to be Agent Clearing Members to submit activities of certain institutional firms, referred to as "Executing Firm Customers," into FICC for clearing and settlement.<sup>10</sup> FICC establishes and maintains an "Agent Clearing Member Omnibus Account" on its books in which it records the transactions of the Agent Clearing Member's Executing Firm Customers ("Agent Clearing Transactions").<sup>11</sup>

Both the Sponsoring Members and the Agent Clearing Members have the option of segregating Sponsored Member Trades of a Sponsored Member and Agent Clearing Transactions of an Executing Firm Customer, as applicable, in separate accounts (i.e., Segregated Indirect Participants Accounts), each such Sponsored Member and Executing Firm Customer being referred to as a "Segregated Indirect Participant." FICC manages its credit exposure to Segregated Indirect Participants by determining the appropriate

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<sup>8</sup> See GSD Rule 3A (Sponsoring Members and Sponsored Members), supra note 3.

<sup>9</sup> See GSD Rule 1 (definition of "Sponsored Member Trades"), supra note 3.

<sup>10</sup> See GSD Rule 8 (Agent Clearing Service), supra note 3.

<sup>11</sup> See GSD Rule 1 (definition of "Agent Clearing Transactions"), supra note 3.

Segregated Customer Margin Requirement and monitoring its sufficiency, as provided for in the GSD Rules.<sup>12</sup>

Pursuant to the GSD Rules, each Member's Required Fund Deposit amount (and Segregated Customer Margin Requirement amount, to the extent applicable) consists of a number of components, each of which is calculated to address specific risks faced by FICC, as identified within the GSD Rules.<sup>13</sup> At GSD, these components include the VaR Charge, Blackout Period Exposure Adjustment, Backtesting Charge, Excess Capital Premium, Holiday Charge, Intraday Supplemental Fund Deposit, Intraday Mark-to-Market Charge, Margin Liquidity Adjustment Charge, Portfolio Differential Charge, Volatility Event Charge, and special charge.<sup>14</sup> The VaR Charge generally comprises the largest portion of a Member's Required Fund Deposit and Segregated Customer Margin Requirement amounts.

The VaR Charge is based on the potential price volatility of unsettled positions using a sensitivity-based Value-at-Risk ("sensitivity VaR") methodology and is designed to cover FICC's projected liquidation losses with respect to a defaulted Member's portfolio at a 99% confidence level. The sensitivity VaR methodology provides an estimate of the possible losses for a given portfolio based on: (1) confidence level, (2) a time horizon, and (3) historical market volatility. FICC uses historical simulation to estimate the impact of market volatilities on the Member's portfolio. A haircut method is

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<sup>12</sup> See GSD Margin Component Schedule, supra note 3.

<sup>13</sup> Supra note 3.

<sup>14</sup> These margin components and the relevant defined terms are located in GSD Rule 1 (Definitions) and/or the GSD Margin Component Schedule, supra note 3.

applied to securities with insufficient requisite data used to employ the sensitivity VaR approach, e.g., short-term bonds.

*Enhancing the Correlation Calculation for Bond Haircut Models*

The QRM Methodology Document provides the methodologies by which FICC calculates the VaR Charge, i.e., sensitivity VaR methodology and haircut methodology. Specifically, the QRM Methodology Document provides model inputs, parameters, and assumptions, among other information, for these methodologies.

Pursuant to the QRM Methodology Document, all short-term bonds (i.e., bonds with maturity of one-year or less) (including Treasury Inflation Protected Securities (“TIPS”)) and bonds with no vendor provided sensitivity analytics data are subject to a haircut calculation. The haircut charges are calculated by placing the bonds into relevant maturity buckets, using correlations to account for cross-bucket effects. The correlations are calculated based on fixed income indices provided by a designated vendor. However, because the designated vendor does not currently provide index data for Treasury 0-6 months, Treasury 6-12 months, and TIPS 0-12 months maturity buckets, the correlations involving any of these three maturity buckets are manually set by FICC to zero.<sup>15</sup> Setting the correlation to zero for Treasury 0-6 months, Treasury 6-12 months, and TIPS 0-12 months maturity buckets may result in understated haircut charges. This is particularly true for directional portfolios with securities in adjacent maturity buckets, for example,

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<sup>15</sup> During the initial methodology development, the overall impact to the haircut charge due to correlations was expected to be limited. Consequently, when vendor index data is unavailable, correlations for Treasury 0-6 months, Treasury 6-12 months, and TIPS 0-12 months maturity buckets are set to zero. The decision to set such correlations to zero is intended to provide a clear and consistent framework for margin calculation, pending the availability of reliable index data from external vendors.

one bond with 5 months to maturity and another with 7 months to maturity, because historical evidence shows short-term maturity buckets are substantially intercorrelated. To strengthen FICC's assessment of market risk for portfolios with bond positions in maturity buckets where the designated vendor does not provide index data, FICC proposes to enhance the correlation calculation for bond haircut models by permitting the use of index data from an alternate vendor in such cases.

FICC is proposing modifications to the QRM Methodology Document in order to enhance the correlation calculation for bond haircut models. Specifically, in the subsection of the QRM Methodology Document that describes calculation of haircut of Treasury and agency bonds without sensitivity analytics data, FICC would delete existing language regarding correlation parameter alternatives and replace it with new language to make it clear that, for fixed income indices not provided by the designated vendor, FICC may use data from another vendor to calculate the correlation. In addition, FICC would delete existing language that describes the current practice of assuming zero correlation for certain maturity buckets of short-term bonds. Furthermore, FICC is also proposing a technical change that corrects a section reference.

#### Impact Study

FICC performed an impact study for the period beginning September 1, 2024 through August 31, 2025 ("Impact Study Period"), looking at Treasury 0-6 months, Treasury 6-12 months, and TIPS 0-12 months maturity buckets with a different correlation number than zero calculated based on index data provided by an alternate vendor. If the proposed rule change had been in place during the Impact Study Period compared to the existing GSD Rules, the average increase to the aggregate VaR Charges

at GSD would be approximately \$46 million (or 0.09%), with the largest increase of approximately \$85 million (or 0.15%). The impact study indicated that, if the proposed rule change had been in place, the VaR model backtesting coverage would have remained unchanged at 99.85%.

Margin Proxy was not deployed during the Impact Study Period;<sup>16</sup> however, if the proposed rule change had been in place and Margin Proxy were deployed during the Impact Study Period, the average increase to the aggregate VaR Charges at GSD would be approximately \$88 million (or 0.16%), with the largest increase of approximately \$163 million (or 0.38%). The impact study indicated that, if the proposed rule change had been in place and Margin Proxy were deployed during the Impact Study Period, the VaR model backtesting coverage would have remained unchanged at 99.92%.

#### Impact to Members over the Impact Study Period

If the proposed rule change had been in place during the Impact Study Period compared to the existing GSD Rules, on average, at the Member Margin Portfolio level, the proposed rule change would have increased the start of day (“SOD”) VaR Charge by approximately \$0.22 million, or 0.09%, over the Impact Study Period. The largest average percentage increase in SOD VaR Charge for any Member Margin Portfolio would have been approximately 14.52%, or \$0.38 million. The largest average dollar increase in SOD VaR Charge for any Member Margin Portfolio would have been approximately \$5.91 million, or 0.79%.

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<sup>16</sup> FICC can deploy Margin Proxy as a back-up VaR Charge calculation in the event that FICC experiences a data disruption with its third-party vendor. See GSD Margin Component Schedule (definition of “Margin Proxy”), supra note 3.

If the proposed rule change had been in place and Margin Proxy were deployed during the Impact Study Period, on average, at the Member Margin Portfolio level, the proposed rule change would have increased the SOD VaR Charge by approximately \$0.42 million, or 0.16% over the Impact Study Period. The largest average percentage increase in SOD VaR Charge for any Member Margin Portfolio would have been approximately 23.18%, or \$0.59 million. The largest average dollar increase in SOD VaR Charge for any Member Margin Portfolio would have been approximately \$17.35 million, or 0.34%.

## 2. Statutory Basis

FICC believes this proposal is consistent with the requirements of the Act, and the rules and regulations thereunder applicable to a registered clearing agency. Specifically, FICC believes that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act<sup>17</sup> and Rules 17ad-22(e)(4)(i) and (e)(6)(i) promulgated thereunder<sup>18</sup> for the reasons described below.

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to, among other things, assure the safeguarding of securities and funds which are in the custody or control of the clearing agency.<sup>19</sup> FICC believes the proposed change to enhance the correlation calculation for bond haircut models is designed to assure the safeguarding of securities and funds which are in its custody or control because it is designed to mitigate FICC's risk exposure from bond positions held in Members'

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

<sup>18</sup> 17 CFR 240.17ad-22(e)(4)(i) and (e)(6)(i).

<sup>19</sup> 15 U.S.C. 78q-1(b)(3)(F).

portfolios. Specifically, the proposed enhancement would allow FICC to collect financial resources to mitigate credit risk exposure resulting from bonds held in Members' portfolios.

The Clearing Fund/Segregated Customer Margin is a key tool that FICC uses to mitigate potential losses to FICC associated with liquidating a Member's portfolio in the event of Member default. Therefore, the proposed change to enhance the correlation calculation for bond haircut models would enable FICC to better address credit risk exposure resulting from bonds held in Members' portfolios such that, in the event of a Member default, FICC's operations would not be disrupted, and non-defaulting Members would not be exposed to losses they cannot anticipate or control. In this way, the proposed change to enhance the correlation calculation for bond haircut models would assure the safeguarding of securities and funds which are in the custody or control of FICC, consistent with Section 17A(b)(3)(F) of the Act.<sup>20</sup>

FICC believes the proposed change to make a technical change to the QRM Methodology Document would enhance the accuracy of the QRM Methodology Document for FICC. The QRM Methodology Document is used by FICC risk management personnel for the calculation of margin requirements. Having an accurate QRM Methodology Document will help facilitate the accurate and smooth functioning of the margining process at FICC. The proposed technical change would promote such accuracy. This would in turn enable FICC risk management to assess an appropriate level of margin for Members. As such, FICC believes that the proposed technical change to the QRM Methodology Document would assure the safeguarding of securities and

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<sup>20</sup> Id.

funds which are in the custody or control of FICC, consistent with Section 17A(b)(3)(F) of the Act.<sup>21</sup>

The proposed change to enhance the correlation calculation for bond haircut models has also been designed to be consistent with Rules 17ad-22(e)(4)(i) and (e)(6)(i) under the Act.<sup>22</sup> Rule 17ad-22(e)(4)(i) under the Act requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those exposures arising from its payment, clearing, and settlement processes by maintaining sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence.<sup>23</sup> As described above, the proposed change to permit the use of index data from an alternate vendor when the designated vendor does not provide such data would enhance the correlation calculation for bond haircut models, which in turn would help address the identification, measurement, monitoring and management of credit exposures that may arise from bonds held in Members' portfolios. By enhancing the correlation calculation for bond haircut models, the proposed change would enable FICC to have rule provisions that are reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to Members and those exposures arising from its payment, clearing, and settlement processes, which FICC believes is consistent with Rule 17ad-22(e)(4)(i). Moreover, the proposed change would enable FICC to better identify, measure, monitor,

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<sup>21</sup> Id.

<sup>22</sup> 17 CFR 240.17ad-22(e)(4)(i) and (e)(6)(i).

<sup>23</sup> 17 CFR 240.17ad-22(e)(4)(i).

and, through the collection of Members' Required Fund Deposits and Segregated Customer Margin Requirements, manage its credit exposures to Members by maintaining sufficient resources to cover those credit exposures fully with a high degree of confidence. The proposed correlation calculation change for bond haircut models as described above would help improve FICC's ability to determine the appropriate bond haircut charges, thus ensuring Members' portfolio risks are adequately identified, measured and monitored. It would help ensure that the margin FICC collects from Members is sufficient to mitigate the credit exposure presented by the Members. As a result, FICC believes that the proposal would enhance FICC's ability to effectively identify, measure, and monitor its credit exposures and would enhance its ability to maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence, consistent with the requirements of Rule 17ad-22(e)(4)(i) under the Act.<sup>24</sup>

Rule 17ad-22(e)(6)(i) under the Act requires, among other things, a covered clearing agency to 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.<sup>25</sup> FICC believes that the proposed change to enhance the correlation calculation for bond haircut models is consistent with the requirements of Rule 17ad-22(e)(6)(i) cited above. The Required Fund Deposits and Segregated

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<sup>24</sup> Id.

<sup>25</sup> 17 CFR 240.17ad-22(e)(6)(i).

Customer Margin Requirements are comprised of risk-based components (as margin) that are calculated and assessed daily to limit FICC's credit exposures to Members. FICC is proposing a change that is designed to make the bond haircut models more effective in measuring and addressing credit risk. The proposed change to the correlation calculation for bond haircut models would help to ensure margin levels are commensurate with the risk exposure that arises from bonds held in Members' portfolios. It would also help ensure the margin that FICC collects from Members is sufficient to mitigate the credit exposure presented by the Members. Overall, this proposed change would allow FICC to more effectively address the risks presented by Members. In this way, the proposed change to the correlation calculation for bond haircut models would enhance the ability of FICC to produce margin levels commensurate with the risks and particular attributes of each relevant product, portfolio, and market. As such, FICC believes that this proposed change is consistent with the requirements of Rule 17ad-22(e)(6)(i) under the Act.<sup>26</sup>

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

FICC believes the proposed change to enhance the correlation calculation for bond haircut models could impose a burden on competition. As a result of this proposed change, participants may experience increases in their Required Fund Deposits and/or Segregated Customer Margin Requirements. Such increases could burden participants that have lower operating margins or higher costs of capital than other participants. It is not clear whether the burden on competition would necessarily be significant because it would depend on whether the affected participants were similarly situated in terms of

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<sup>26</sup> Id.

business type and size; however, regardless of whether the burden on competition is significant, FICC believes that any burden on competition would be necessary and appropriate in furtherance of the purposes of the Act.

Specifically, as described in this filing and further below, FICC believes that the above-described burden on competition that may be created by this proposed change would be necessary in furtherance of the purposes of the Act because the rules of a clearing agency must be designed to assure the safeguarding of securities and funds that are in FICC's custody or control, consistent with Section 17A(b)(3)(F) of the Act.<sup>27</sup> FICC believes that the proposed change to the correlation calculation for bond haircut models as described above would enable FICC to further improve margin resilience with respect to bonds held in Members' portfolios such that, in the event of a Member default, FICC's operations would not be disrupted and non-defaulting Members would not be exposed to losses they cannot anticipate or control. As such, this proposed change is designed to assure the safeguarding of securities and funds which are in the custody or control of FICC, consistent with Section 17A(b)(3)(F) of the Act.

FICC also believes the proposed change to the correlation calculation for bond haircut models is necessary to support FICC's compliance with Rules 17ad-22(e)(4)(i) and (e)(6)(i) under the Act,<sup>28</sup> which require FICC to establish, implement, maintain, and enforce written policies and procedures reasonably designed to (x) effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes and (y) cover its credit exposures to its

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<sup>27</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>28</sup> 17 CFR 240.17ad-22(e)(4)(i) and (e)(6)(i).

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.

As described above, FICC believes that the proposed change to the correlation calculation for bond haircut models would allow FICC to better mitigate risk exposure resulting from bonds held in Members' portfolios. Accordingly, FICC believes that this proposed change would allow FICC to effectively identify, measure, monitor, and manage its credit exposures to participants and better limit FICC's credit exposures to participants and cover its credit exposures to its participants by producing margin levels commensurate with the risks and particular attributes of each relevant product, portfolio, and market, consistent with the requirements of Rules 17ad-22(e)(4)(i) and (e)(6)(i) under the Act.<sup>29</sup>

FICC also believes that the above-described burden on competition that could be created by the proposed change to the correlation calculation for bond haircut models would be appropriate in furtherance of the purposes of the Act because such change has been appropriately designed to assure the safeguarding of securities and funds which are in the custody or control of FICC, as described in detail above. The proposed change to the correlation calculation for bond haircut models is specifically designed to cover risk exposures from bonds held in Members' portfolios. Any increase in Required Fund Deposit and/or Segregated Customer Margin Requirement as a result of such proposed change for a particular participant would be in direct relation to the specific risks presented by such participant's portfolio, and each participant's Required Fund Deposit

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<sup>29</sup> Id.

and/or Segregated Customer Margin Requirement would continue to be calculated with the same parameters and at the same confidence level. Therefore, participants with portfolios that present similar risks, regardless of the type of participant, would have similar impacts on their Required Fund Deposit and/or Segregated Customer Margin Requirement amounts. In addition, the proposed change to the correlation calculation for bond haircut models would improve the risk-based margining methodology that FICC employs to set margin requirements and better limit FICC's credit exposures to its participants. Therefore, because the proposed change is designed to provide FICC with a more appropriate and complete measure of the risks presented by participants' portfolios, FICC believes this proposed change is appropriately designed to meet its risk management goals and its regulatory obligations.

Accordingly, FICC does not believe that the proposed change to the correlation calculation for bond haircut models would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.<sup>30</sup>

FICC does not believe the proposed technical change to the QRM Methodology Document would have any impact on competition. This proposed change would enhance the QRM Methodology Document by providing additional accuracy. The proposed technical change would not advantage or disadvantage any particular Member of FICC or unfairly inhibit access to FICC's services. FICC therefore does not believe the proposed technical change would have any impact, or impose any burden, on competition.

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<sup>30</sup> 15 U.S.C. 78q-1(b)(3)(I).

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

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

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

All prospective commenters should follow the Commission's instructions on how to submit comments, available at [www.sec.gov/rules-regulations/how-submit-comment](http://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 Commission's Division of Trading and Markets at [tradingandmarkets@sec.gov](mailto:tradingandmarkets@sec.gov) or 202-551-5777.

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

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

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 ([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-2026-002 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-2026-002. 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 filing 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-2026-002 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>31</sup>

Secretary

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<sup>31</sup> 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 or financial information that is privileged or confidential and (ii) the supervision of Fixed Income Clearing Corporation (“FICC”), which is a financial institution. This Exhibit 3 contains one or more electronic files each 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. Notwithstanding the request for confidential treatment, FICC believes the substance of this Exhibit 3 is clearly and adequately described in the accompanying Exhibit 1A and Form 19b-4 narrative to the proposed rule change filing, thus allowing for meaningful public comment.**

Embedded File(s):

- FICC Impact Study; spreadsheet file.

**PAGE REDACTED IN ITS ENTIRETY**

**EXHIBIT 5**

**The information contained in this Exhibit 5 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 or financial information that is privileged or confidential and (ii) the supervision of Fixed Income Clearing Corporation (“FICC”), which is a financial institution. This Exhibit 5 contains excerpts of the Methodology Document – GSD Initial Market Risk Margin Model, which is not intended for public disclosure. Accordingly, this Exhibit 5 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. Notwithstanding the request for confidential treatment, FICC believes the substance of this Exhibit 5 is clearly and adequately described in the accompanying Exhibit 1A and Form 19b-4 narrative to the proposed rule change filing, thus allowing for meaningful public comment.**

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