

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-99097; File No. SR-FICC-2023-016)

December 6, 2023

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Clearing Agency Risk Management Framework

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 1, 2023, Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. FICC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(4) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change of Fixed Income Clearing Corporation (“FICC”) is provided hereto [sic] as Exhibit 5 and amends the Clearing Agency Risk Management Framework (“Risk Management Framework”, or “Framework”) of FICC and its affiliates, The Depository Trust Company (“DTC”) and National Securities Clearing

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

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

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

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

Corporation (“NSCC,” and together with FICC and DTC, the “Clearing Agencies”).<sup>5</sup> The proposed rule change would amend the Risk Management Framework to clarify and revise the descriptions of certain matters within the Framework, as further described below. The proposed changes would update and clarify the Risk Management Framework but do not reflect changes to how the Clearing Agencies comply with the applicable requirements of Rule 17Ad-22(e), as described in greater detail below.

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

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

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<sup>5</sup> See Securities Exchange Act Release Nos. 81635 (September 15, 2017), 82 FR 44224 (September 21, 2017) (SR-DTC-2017-013; SR-FICC-2017-016; SR-NSCC-2017-012) (“Initial Filing”) and Securities Exchange Act Release Nos. 89271 (July 09, 2020), 85 FR 42933 (July 15, 2020) (SR-NSCC-2020-012); Securities Exchange Act Release No. 89269 (July 09, 2020), 85 FR 42954 (July 15, 2020) (SR-DTC-2020-009); and Securities Exchange Act Release No. 89270 (July 09, 2020), 85 FR 42927 (July 15, 2020) (SR-FICC-2020-007) (together with the Initial Filing, the “Framework Filings”)

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

1. Purpose

The Clearing Agencies adopted the Risk Management Framework<sup>6</sup> to provide an outline for how each of the Clearing Agencies (i) maintains a well-founded, clear, transparent and enforceable legal basis for each aspect of its activities; (ii) comprehensively manages legal, credit, liquidity, operational, general business, investment, custody, and other risks that arise in or are borne by it; (iii) identifies, monitors, and manages risks related to links it establishes with one or more clearing agencies, financial market utilities, or trading markets; (iv) meets the requirements of its participants and the markets it serves efficiently and effectively; (v) uses, or at a minimum accommodates, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing and settlement; and (vi) publicly discloses certain information, including market data. In this way, the Risk Management Framework currently supports the Clearing Agencies’ compliance with Rules 17Ad-22(e)(1), (3), (20), (21), (22) and (23) of the Standards,<sup>7</sup> as described in the Framework Filings. In addition to setting forth the way each of the Clearing Agencies addresses these requirements, the Risk Management Framework also contains a section titled “Framework Ownership and Change Management” that, among other matters, describes the Framework ownership and the required governance process for review and approval of changes to the Framework. In connection with the annual review and

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<sup>6</sup> Supra note 5.

<sup>7</sup> 17 CFR 240.17Ad-22(e)(1), (3), (20), (21), (22) and (23).

approval of the Framework by the Board of Directors of NSCC, DTC and FICC (each a “Board” and collectively, the “Boards”), the Clearing Agencies are proposing to make certain revisions to the Framework.

The proposed changes would clarify and enhance the descriptions in the Risk Management Framework, for example, (i) clarify the cadence of publication of disclosure frameworks; (ii) clarify the description of the Clearing Agencies recovery and wind-down processes and procedures; and (iii) make other non-substantive clarifying and clean-up changes to the Framework. Each of these categories of changes are discussed in further detail below.

*i. Proposed Amendment to Clarify the Cadence of Publication of Disclosure Frameworks*

Section 4.1 of the Framework describes certain tools provided to Clearing Agency participants to assist participants in understanding the Clearing Agencies’ products and services and their use. One such tool is the publication of disclosure frameworks to the DTCC website. The proposed change would enhance the description in the third bullet of Section 4.1, to add that although each of the Clearing Agencies publish to the DTCC website disclosure frameworks that are updated on a biennial basis, such frameworks are also updated more frequently for material changes.

*ii. Proposed Amendment to Clarify the Description of Recovery and Wind-Down*

Section 5 of the Framework describes the Clearing Agencies identification of scenarios that may potentially prevent them from being able to provide critical operations and services, and assessment of options for recovery and orderly wind-down, and maintenance of appropriate plans for recovery and orderly wind-down. The proposed changes to Section 5 are primarily rephrasing and grammatical choices that clarify the

Framework and conform the language in the Framework to the Clearing Agencies' stand-alone Recovery and Wind-Down Plans.

*iii. Proposed Amendment to Make Other Non-Substantive Clarifying Changes*

These proposed changes consist of rephrasing for clarity and removal of unnecessary language in the Framework. These changes include: (i) changes to Section 1 to simplify the description of other documentation of the Clearing Agencies that support the activities described in the Framework by removing statements regarding the maintenance of those documents that are not relevant to the operation of this Framework and removing redundant sentences; (ii) add “and” for grammatical purposes in the second sentence of the last paragraph of Section 3.2 as well as the words “when required” as clarifying language; (3) remove the words “Market Risk” from the heading “*Clearing Agency Stress Testing Framework*” in Section 3.3.3 and add “liquidity resources” to align with other documentation of the Clearing Agencies; (4) deletion of the word “all” in various sentences in Section 4.2.2, as unnecessary.

2. Statutory Basis

The Clearing Agencies believe that the proposed changes are consistent with Section 17A(b)(3)(F) of the Act<sup>8</sup> for the reasons described below. Section 17A(b)(3)(F) of the Act requires, in part, that the rules of a registered clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.<sup>9</sup> The proposed changes would clarify

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<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>9</sup> Id.

the descriptions of certain matters within the Framework to improve comprehensiveness and align with other documentation of the Clearing Agencies, as described above. By creating clearer, updated descriptions, the Clearing Agencies believe that the proposed changes would make the Risk Management Framework more effective in providing an overview of the important risk management activities of the Clearing Agencies, as described therein.

As described in the Framework Filings, the risk management functions described in the Risk Management Framework allow the Clearing Agencies to continue to promote the prompt and accurate clearance and settlement of securities transactions and continue to assure the safeguarding of securities and funds which are in their custody or control or for which they are responsible notwithstanding the default of a member of an affiliated family. The proposed changes to improve the clarity and accuracy of the descriptions of risk management functions within the Framework would assist the Clearing Agencies in carrying out these risk management functions. Therefore, the Clearing Agencies believe these proposed changes are consistent with the requirements of Section 17A(b)(3)(F) of the Act.<sup>10</sup>

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

The Clearing Agencies do not believe that the proposed changes to the Framework described above would have any impact, or impose any burden, on competition. As described above, the proposed rule changes would improve the comprehensiveness of the Framework by creating clearer, updated descriptions, thereby making the Risk Management Framework more effective in providing an overview of the

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<sup>10</sup> Id.

important risk management activities of the Clearing Agencies. As such, the Clearing Agencies do not believe that the proposed rule changes would have any impact on competition.

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

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

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

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

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>11</sup> of the Act and paragraph (f)<sup>12</sup> of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-FICC-2023-016 on the subject line.

Paper Comments:

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

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<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f).



All submissions should refer to file number SR-FICC-2023-016. This file number should be included on the subject line if email 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 (<https://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 a.m. and 3 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 (<https://dtcc.com/legal/sec-rule-filings.aspx>). 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-2023-016 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

**Sherry R. Haywood,**  
*Assistant Secretary.*

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<sup>13</sup> 17 CFR 200.30-3(a)(12).