



**SECURITIES AND EXCHANGE COMMISSION**  
**[Release No. 34-102705; File No. SR-FICC-2025-005]**

**Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change to Adopt an Intraday Mark-to-Market Charge at GSD**

March 21, 2025.

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 March 14, 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”)<sup>3</sup> to adopt an intraday mark-to-market charge (“Intraday Mark-to-Market Charge”).

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

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

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 adopt an Intraday Mark-to-Market Charge at GSD.

Currently, the mark-to-market component of the daily Funds-Only Settlement Amount<sup>4</sup> covers FICC's exposure to a Member due to market moves and/or trading and settlement activity because it brings the Member's portfolio of outstanding positions up to the market value at the end of the prior day. Specifically, twice each Business Day, each Member is required to pay (or is entitled to collect) a Funds-Only Settlement Amount across all CUSIPs in which it has outstanding positions. However, because the start of day and intraday mark-to-market components of the Funds-Only Settlement Amount are calculated using the end of prior day and noon of current day positions and prices, respectively, they do not cover a Member's risk exposure arising out of changes to position and price in the Member's portfolio that occur between the collections of the Funds-Only Settlement Amount, *i.e.*, from the start of day to noon and from noon to end of day changes, that result in an adverse change to the Member's mark-to-market exposure ("MTM Exposure"). In order to mitigate such intraday risk, FICC is proposing to adopt an Intraday Mark-to-Market Charge at GSD.<sup>5</sup>

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<sup>4</sup> The term "Funds-Only Settlement Amount" means the net dollar amount of a Netting Member's obligation, calculated pursuant to GSD Rule 13, either to make a funds-only payment to FICC or to receive a funds-only payment from FICC. See GSD Rule 1 (Definitions), *supra* note 3.

<sup>5</sup> The Mortgage-Backed Securities Division ("MBSD") of FICC also has an intraday mark-to-market charge that is similar to the proposed Intraday Mark-to-Market Charge. See definition of "Intraday Mark-to-Market Charge" in Rule 1 of MBSD Clearing Rules, available at [www.dtcc.com/legal/rules-and-procedures](http://www.dtcc.com/legal/rules-and-procedures).

### 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.<sup>6</sup> 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>7</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>8</sup> The aggregate amount of all Members' Required Fund Deposit 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.

Pursuant to the GSD Rules, each Member's Required Fund Deposit amount consists of a number of applicable components, each of which is calculated to address

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<sup>6</sup> GSD also clears and settles certain transactions on securities issued or guaranteed by U.S. government agencies and government sponsored enterprises.

<sup>7</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 Act, where these risks are referred to as "credit risks." 17 CFR 240.17ad-22(e)(4).

<sup>8</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) of the GSD Rules, supra note 3.

specific risks faced by FICC, as identified within the GSD Rules.<sup>9</sup> These components include the VaR Charge, Blackout Period Exposure Adjustment, Backtesting Charge, Holiday Charge, Intraday Supplemental Fund Deposit, Margin Liquidity Adjustment Charge, special charge, and Portfolio Differential Charge.<sup>10</sup> The VaR Charge generally comprises the largest portion of a Member's Required Fund Deposit amount.

*Proposed Intraday Mark-to-Market Charge*

Separate and apart from collecting the Required Fund Deposit, FICC also conducts mark-to-market to reflect the difference between the contract value of a trade and the current market value of the security. Specifically, twice each Business Day, each Member is required to pay (or is entitled to collect) a Funds-Only Settlement Amount across all CUSIPs in which it has outstanding positions. This amount includes, among other payments,<sup>11</sup> a mark-to-market amount for every net settlement position (i.e., positions set to settle on the next Business Day), every forward net settlement position (i.e., open positions), and every position that was scheduled to settle and has not yet settled (i.e., failed positions). The funds-only settlement process is a cash pass-through process, i.e., those Members that are in a debit position submit payments to FICC that are then used by FICC to pay Members in a credit position.

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<sup>9</sup> Supra note 3.

<sup>10</sup> These margin components and the relevant defined terms are currently located in GSD Rules 1 (Definitions) and 4 (Clearing Fund and Loss Allocation), supra note 3. FICC recently received regulatory approval to move the margin calculation methodology, including the margin components and the relevant defined terms, into a new Margin Component Schedule. See Securities Exchange Act Release Nos. 101695 (Nov. 21, 2024), 89 FR 93763 (Nov. 27, 2024) (SR-FICC-2024-007) and 101675 (Nov. 21, 2024), 89 FR 93735 (Nov. 27, 2024) (SR-FICC-2024-802).

<sup>11</sup> The Funds-Only Settlement payments are set forth in Section 1 of GSD Rule 13 (Funds-Only Settlement), supra note 3. They generally consist of (A) transaction adjustment payments for settlement purposes, (B) risk management-related amounts (such as mark-to-market amounts), (C) security coupon and similar amounts, and (D) other amounts (such as invoice amounts).

During each trading day, a Member's exposure may change due to the settlement of existing transactions and new trade activities. In addition, the value of the Member's portfolio may change due to market moves. Currently, the mark-to-market component of the Funds-Only Settlement Amount covers FICC's exposure to a Member due to market moves and/or trading and settlement activity by bringing the Member's portfolio of outstanding positions up to the market value at noon and end of day.

FICC currently conducts hourly<sup>12</sup> monitoring each Business Day,<sup>13</sup> with the Funds-Only Settlement Amounts being collected at 4:30 p.m. that Business Day based on the Member's noon positions and 10 a.m. the next Business Day based on the Member's end-of-day positions on the previous Business Day.

However, because the start of day and intraday mark-to-market components of the Funds-Only Settlement Amount are calculated using the end of prior day and noon of current day positions and prices, respectively, they do not cover a Member's risk exposure arising out of changes to position and market value in the Member's portfolio that occur between the collections of the Funds-Only Settlement Amount that result in MTM Exposure. In order to mitigate such intraday risk, FICC is proposing to adopt an Intraday Mark-to-Market Charge.

Specifically, FICC is proposing to collect an Intraday Mark-to-Market Charge from Members to cover significant risk exposures that warrant the collection of intraday margin, i.e., when the calculated Intraday Mark-to-Market Charge equals or exceeds certain thresholds, as further described below. The proposed Intraday Mark-to-Market

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<sup>12</sup> FICC expects to increase the frequency of its intraday monitoring at GSD from hourly to a 15-minute increment during first quarter of 2025.

<sup>13</sup> FICC generally conducts intraday monitoring between 9-11 a.m. (New York time) and 1-4 p.m. (New York time); however, on the last Business Day of each calendar month, the intraday monitoring is extended from 4 p.m. to 5 p.m. (New York time).

Charge would work in conjunction with the Intraday Supplemental Fund Deposit<sup>14</sup> to help FICC mitigate its intraday risk exposure, including when certain risk thresholds are breached or when the products cleared or markets served display elevated volatility. Whereas the Intraday Supplemental Fund Deposit is designed to mitigate intraday risk exposure to FICC that results from large fluctuations in a Member’s portfolio due to new and unsettled trade activities, the proposed Intraday Mark-to-Market Charge is designed to mitigate intraday risk exposure to FICC that results from large fluctuations in a Member’s portfolio due to changes in position and market value. Both the Intraday Supplemental Fund Deposit and the proposed Intraday Mark-to-Market Charge would be recalculated intraday, each Business Day, at the times and frequencies established by FICC for this purpose, which times and frequencies shall be communicated to Members on FICC’s public website.<sup>15</sup>

#### The Parameter Breaks

As proposed, FICC would determine whether to assess the Intraday Mark-to-Market Charge by tracking three criteria (each, a “Parameter Break”) for each Member. FICC would assess the Intraday Mark-to-Market Charge on a Member that has breached all three Parameter Breaks.

The Parameter Breaks help FICC determine whether a Member’s MTM Exposure poses a risk to FICC that is significant enough to warrant an Intraday Mark-to-Market Charge. The objective of the Parameter Breaks is to ensure that FICC is able to limit

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<sup>14</sup> See the description of Intraday Supplemental Fund Deposit, currently located in GSD Rule 4, Section 2a, supra note 3. FICC recently received regulatory approval to move the margin calculation methodology, including the description of Intraday Supplemental Fund Deposit, into a new Margin Component Schedule. See Securities Exchange Act Release Nos. 101695 (Nov. 21, 2024), 89 FR 93763 (Nov. 27, 2024) (SR-FICC-2024-007) and 101675 (Nov. 21, 2024), 89 FR 93735 (Nov. 27, 2024) (SR-FICC-2024-802).

<sup>15</sup> Supra note 12.

exposure to intraday mark-to-market fluctuations that (a) are of a large dollar amount (the “Dollar Threshold”), (b) exhausts a significant portion of a Member’s last calculated VaR Charge (the “Percentage Threshold”), and (c) are experienced by Members with either (i) a limited trading history (the “Trading Day Threshold”) or (ii) backtesting deficiencies that bring backtesting results for the Member below a confidence target (the “Coverage Target”), indicating that a Member’s activity was not sufficiently covered by margin.

#### 1. The Dollar Threshold

The first Parameter Break is the Dollar Threshold. The purpose of the Dollar Threshold is to identify those Members whose MTM Exposure equals or exceeds a set large dollar amount. FICC believes that such Members pose an increased risk of loss to FICC because if a Member with large MTM Exposure were to default and the Member’s Required Fund Deposit was not sufficient to satisfy losses to FICC caused by the liquidation of the Member’s portfolio, FICC may have to access the Clearing Fund to satisfy such losses.<sup>16</sup> However, because the Clearing Fund is a finite financial resource designed to be available to satisfy potential losses to FICC that may arise from any Member default, FICC could be exposed to a significant risk of loss if a Member’s MTM Exposures equals or exceeds a set large dollar amount that could deplete a substantial portion of the Clearing Fund. Accordingly, FICC is proposing to set the Dollar Threshold to an amount that is equal to or greater than \$1,000,000 in order to ensure that the MTM Exposure of each of its Members would not be excessive. FICC believes that the minimum \$1,000,000 Dollar Threshold would ensure the Clearing Fund available to

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<sup>16</sup> See Rule 4 (Clearing Fund and Loss Allocation), supra note 3.

satisfy all other liquidation losses arising out of a Member's default is sufficient to mitigate the risks posed to FICC by such losses.

As an initial matter, FICC would set the Dollar Threshold at \$1,000,000 in order to align with the minimum Clearing Fund requirement at GSD, thus helping to ensure that the aggregate MTM Exposure of a Member would not exceed its minimum Clearing Fund deposit. FICC would review and assess the sufficiency of the Dollar Threshold at least annually. If FICC determines that any adjustments to the Dollar Threshold are necessary to provide reasonable coverage, the FICC market risk group would document the rationale and obtain the requisite approval for the change, in accordance with FICC's internal market risk management policies and procedures. FICC would notify Members of any changes to the Dollar Threshold via an Important Notice.

As proposed, the Dollar Threshold is an adverse intraday mark-to-market change in a Member's portfolio that equals or exceeds \$1,000,000 when compared to the mark-to-market amount reflected either in the last Funds-Only Settlement Amount or Intraday Mark-to-Market Charge, as applicable, for the Member's portfolio.

## 2. The Percentage Threshold

The second Parameter Break is the Percentage Threshold. The purpose of the Percentage Threshold is to identify those Members whose MTM Exposures deplete a significant portion of such Member's daily VaR Charge. FICC believes that Members that experience such MTM Exposures pose an increased risk of loss to FICC because the coverage provided by the VaR Charge, which is designed to cover estimated losses to a portfolio over a three-day time liquidation period at least 99 percent of the time would be depleted by a significant MTM Exposure that could cause the Member's Required Fund Deposit to be unable to absorb further intraday losses to the Member's portfolio. The Percentage Threshold is designed to provide FICC with a reasonable risk buffer to allow the VaR Charge collected to function as expected. More specifically, the VaR Charge is

designed to cover potential losses over a three-day liquidation period for a Member at least 99 percent of the time, assuming normal market conditions. When a Member's MTM Exposure meets or exceeds a certain percentage as compared to its daily VaR Charge, the value of the Member's portfolio is trending towards a loss outside of the expected value as determined by such VaR Charge. The Percentage Threshold is calculated to equal a percentage of the daily VaR Charge that FICC has determined would leave it with a sufficient amount of a Member's remaining VaR Charge after accounting for potential losses arising from the Member's MTM Exposure.

FICC would review and assess the sufficiency of the Percentage Threshold at least annually. If FICC determines that any adjustment to the Percentage Threshold are necessary to provide reasonable coverage, the FICC market risk group would document the rationale and obtain the requisite approval for the change, in accordance with FICC's internal market risk management policies and procedures. FICC would notify Members of any changes to the Percentage Threshold via an Important Notice.

As proposed, the Percentage Threshold is an adverse intraday mark-to-market change in a Member's portfolio that is not less than 10 percent of the last calculated VaR Charge for the Member's portfolio. As an initial matter, FICC would set the Percentage Threshold as 30 percent of the last calculated VaR Charge of a Member's portfolio. This is because FICC believes that a Member with MTM Exposure of 30 percent or more of the Member's VaR Charge on an intraday basis would likely pose increased risk to the sufficiency of the Member's Required Fund Deposit to cover additional exposures that may occur during the three-day liquidation period that the VaR Charge is designed to cover.

### 3. The Trading Day Threshold/Coverage Target

The third Parameter Break is either (i) the Trading Day Threshold, if a Member only has a limited trading history, or (ii) the Coverage Target.

The purpose of the Trading Day Threshold is to identify those Members that have limited trading history. As proposed, Members that have limited trading history, i.e., fewer than 100 trading days in a rolling 12-month period, would be assessed the proposed Intraday Mark-to-Market Charge irrespective of their backtesting coverage if they were to breach the Dollar Threshold and the Percentage Threshold. This is because when a Member has fewer than 100 trading days in a rolling 12-month period, even one backtesting deficiency would have a disproportionate effect on the Member's backtesting coverage. For example, a single backtesting deficiency would result in a Member falling below 99 percent in backtesting coverage if the Member has fewer than 100 trading days in a rolling 12-month period, but if a Member has more than 100 trading days in a rolling 12-month period, one backtesting deficiency would not result in such a Member falling below 99 percent in backtesting coverage. This means that if a Member with fewer than 100 trading days in a rolling 12-month period has breached both the Dollar Threshold and the Percentage Threshold, then the Member would be assessed the proposed Intraday Mark-to-Market Charge regardless of the Member's backtesting coverage.

In contrast, for Members with 100 or more trading days in a rolling 12-month period, FICC would take into consideration the Member's backtesting coverage when assessing the proposed Intraday Mark-to-Market Charge, i.e., whether the Member's backtesting coverage equals or exceeds the Coverage Target, as described below.

The purpose of the Coverage Target is to identify those Members that have experienced backtesting deficiencies that bring their backtesting results as reported in the most current month below a certain threshold percentage as determined by FICC from time to time. FICC believes that such Members pose an increased risk of loss to FICC because their backtesting deficiencies demonstrated that FICC's risk-based margin model

did not perform as expected for the Member. Thus, the Coverage Target is designed to provide coverage to FICC for risk exposures arising from intraday mark-to-market fluctuations in the portfolio of a Member for whom the FICC margin model is not performing as expected.

As an initial matter, FICC would set the Coverage Target at 100 percent in order to capture all Members that have demonstrated sufficiency in margin backtesting. FICC would review and assess the sufficiency of the Coverage Target at least annually. If FICC determines that any adjustment to the Coverage Target are necessary to provide reasonable coverage, the FICC market risk group would document the rationale and obtain the requisite approval for the change, in accordance with FICC's internal market risk management policies and procedures. FICC would notify Members of any changes to the Coverage Target via an Important Notice.

#### Assessment and Collection of Proposed Intraday Mark-to-Market Charge

FICC would review intraday snapshots of each Member's portfolios to determine whether the Member has experienced a MTM Exposure that warrants FICC assessing an Intraday Mark-to-Market Charge. More specifically, if a Member's MTM Exposure breaches all three Parameter Breaks, the Member would be subject to the Intraday Mark-to-Market Charge, and FICC would collect the charge, subject to waiver/reduction to the amount of the calculated charge as described below. However, where FICC determines that volatile market conditions<sup>17</sup> exist, FICC proposes that the Dollar Threshold and/or Percentage Threshold may be reduced. Having the ability to reduce the Dollar Threshold and/or Percentage Threshold would help ensure that FICC can accelerate collection of

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<sup>17</sup> Volatile market conditions can include, but are not limited to, sudden swings in the U.S. Treasury yields or mortgage-backed security spreads outside of historically observed market moves and/or conditions contributing to increased MTM Exposures that, in aggregate, materially exceed those amounts observed under normal market conditions.

anticipated additional margin from Members whose portfolios may present relatively greater risks to FICC on an overnight basis. Any such reduction would not cause the Dollar Threshold to be less than \$250,000 and the Percentage Threshold to be less than 5 percent. FICC would provide Members with at a minimum one Business Day advance notice of any reductions to the Dollar Threshold or Percentage Threshold via an Important Notice.

Moreover, in volatile market conditions, FICC may modify or not consider the Coverage Target when applying the proposed Intraday Mark-to-Market Charge to a Member's portfolio that may present relatively greater risks to FICC on an overnight basis due to such market conditions. That is, FICC could impose the Intraday Mark-to-Market Charge on a Member's portfolio when only the Dollar Threshold and/or Percentage Threshold are breached if volatile market conditions were to occur. This is because FICC has determined that a Member's backtesting coverage may not accurately reflect the risks posed by the Member under volatile market conditions. Thus, if volatile market conditions occur, Members with backtesting coverage that meets or exceeds the Coverage Target then in effect may nonetheless be assessed the proposed Intraday Mark-to-Market Charge on portfolios that may pose increased risk to FICC on an overnight basis due to such market conditions.

Although FICC would generally collect the Intraday Mark-to-Market Charge if a Member's MTM Exposure breaches all three Parameter Breaks, FICC would retain the discretion to waive or decrease such Intraday Mark-to-Market Charge in circumstances where it determines that the MTM Exposure and/or the breaches of the three Parameter Breaks do not accurately reflect FICC's risk exposure to the Member's intraday mark-to-market fluctuation. An example of such circumstances is when a Member's breach of the Parameter Breaks is based on MTM Exposures arising out of trade errors for which FICC can confirm the reversal/correction thereto. Based on FICC's assessment of the impact of

these circumstances and FICC's risk exposure from the Member's portfolio, FICC may waive or decrease an Intraday Mark-to-Market Charge for a Member.

If FICC determines that either a waiver or reduction of an Intraday Mark-to-Market Charge is appropriate, the FICC market risk group would document the rationale and obtain the requisite approval for the waiver/reduction, in accordance with FICC's internal market risk management policies and procedures. Given the variability of the factors that result in breaches of the Parameter Breaks, FICC believes that it is important to maintain such discretion in order to limit the imposition of the Intraday Mark-to-Market Charge to those Members with MTM Exposures that pose an elevated level of risk to FICC.

If FICC determines that FICC should collect an Intraday Mark-to-Market Charge from a Member, FICC would notify the Member during the trading day of its requirement to pay the Intraday Mark-to-Market Charge and the amount due. Affected Members would be required to pay the amount due by the Required Fund Deposit Deadline,<sup>18</sup> currently within one hour of such notification to Members.

#### Proposed GSD Rule Changes

In connection with adopting the Intraday Mark-to-Market Charge, FICC would modify the GSD Rules to:

- I. Add a definition of "Intraday Mark-to-Market Charge" in GSD Rule 1 (Definitions) and define it in the new Margin Component Schedule.<sup>19</sup> As proposed, the term "Intraday Mark-to-Market Charge" would mean an additional charge that is collected from a Member or Segregated Indirect

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<sup>18</sup> The term "Required Fund Deposit Deadline" means the deadline set forth by FICC for such purpose in its procedures, unless FICC has issued a notice extending such deadline pursuant to the GSD Rules. See GSD Rule 1 (Definitions), supra note 3.

<sup>19</sup> Supra note 10.

Participant<sup>20</sup> (unless waived or decreased by FICC as provided below) to mitigate FICC’s exposure that may arise due to intraday changes in the size, composition and constituent security prices of such Member’s Margin Portfolio or Segregated Indirect Participant’s portfolio, including when certain risk thresholds are breached or when the products cleared or markets served display elevated volatility. The proposed definition would provide that the Intraday Mark-to-Market Charge, with respect to each Margin Portfolio or Segregated Indirect Participant’s portfolio, equals the difference between (a) the mark-to-market amount reflected either in the last Funds-Only Settlement Amount or Intraday Mark-to-Market Charge, as applicable, for the Margin Portfolio or Segregated Indirect Participant’s portfolio and (b) such Margin Portfolio’s or Segregated Indirect Participant’s portfolio marked to the most recently observed System Price for such positions and shall be recalculated intraday, each Business Day, at the times and frequencies established by FICC for this purpose, which times and frequencies shall be communicated to Members and Segregated Indirect Participants on FICC’s public website.

The proposed definition would have three subsections.

Subsection (a) would state that the Intraday Mark-to-Market Charge

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<sup>20</sup> FICC recently received regulatory approval to make changes to the GSD Rules regarding the separate calculation, collection and holding of margin for indirect participant transactions of Members. Accordingly, a new defined term “Segregated Indirect Participant” will be added to GSD Rule 1 (Definitions) to refer to a Member’s indirect participants whose transactions are recorded in a Segregated Indirect Participant Account. See Securities Exchange Act Release Nos. 101695 (Nov. 21, 2024), 89 FR 93763 (Nov. 27, 2024) (SR-FICC-2024-007) and 101675 (Nov. 21, 2024), 89 FR 93735 (Nov. 27, 2024) (SR-FICC-2024-802). Therefore, FICC is proposing to also include references to the Segregated Indirect Participants in the proposed “Intraday Mark-to-Market Charge” definition.

applies to a Margin Portfolio and/or Segregated Indirect Participant's portfolio that:

- (i) experienced an adverse intraday mark-to-market change that equals or exceeds a certain threshold dollar amount (but not less than \$1,000,000) as determined by FICC from time to time as compared to the mark-to-market amount reflected either in the last Funds-Only Settlement Amount or Intraday Mark-to-Market Charge, as applicable, for the Margin Portfolio or Segregated Indirect Participant's portfolio,
- (ii) experienced an adverse intraday mark-to-market change that equals or exceeds a certain threshold percentage (but not less than 10 percent) as determined by FICC from time to time as compared to the last calculated VaR Charge for the Margin Portfolio or Segregated Indirect Participant's portfolio, and
- (iii) has either (x) fewer than 100 trading days in a rolling 12-month period or (y) 12-month backtesting coverage below a certain threshold percentage as determined by FICC from time to time.

Each of (i), (ii), and (iii) above would be a "Parameter" for purposes of this proposed definition. Furthermore, the proposed definition would provide that FICC will notify Members of changes to any Parameter via an Important Notice.

Subsection (b) of the proposed definition would provide that, if volatile market conditions occur, FICC may:

- (A) reduce the threshold dollar amount in Parameter (i) above (but not to less than \$250,000),

- (B) reduce the threshold percentage in Parameter (ii) above (but not less than 5 percent), and/or
- (C) elect to modify or not consider the 12-month backtesting coverage threshold in Parameter (iii)(y) above, when applying the Intraday Mark-to-Market Charge to Margin Portfolios and/or Segregated Indirect Participants' portfolios that may present relatively greater risks to FICC on an overnight basis due to such market conditions.

The proposed definition would provide examples of volatile market conditions that FICC may consider with respect to applying subsection (b) of the proposed definition to include, but shall not be limited to, the occurrence of sudden swings in U.S. Treasury yields or mortgage-backed security spreads outside of historically observed market moves and/or conditions contributing to intraday risk exposures to FICC that, in aggregate, materially exceed intraday risk exposures observed under normal market conditions. Furthermore, the proposed definition would state that FICC will provide Members with a minimum of one Business Day advance notice of changes to any Parameter due to volatile market conditions via an Important Notice.

Subsection (c) of the proposed definition would provide that FICC may waive the imposition of the Intraday Mark-to-Market Charge, or may decrease the amount of the Intraday Mark-to-Market Charge, in circumstances where FICC determines that the adverse intraday mark-to-market change of the Margin Portfolio or Segregated Indirect Participant's portfolio and/or the breaches of the Parameters referred to in subsection (a) do not accurately reflect FICC's risk exposure from the intraday mark-

to-market fluctuation of the Margin Portfolio or Segregated Indirect Participant's portfolio. The proposed definition would provide that examples of circumstances that FICC may consider with respect to the determination in the previous sentence may include, but shall not be limited to, large mark-to-market fluctuations arising out of trade errors. In addition, the proposed definition would provide that all waiver and/or reduction of the Intraday Mark-to-Market Charge shall be approved, documented and reviewed on a regular basis pursuant to FICC's procedures.

- II. Add the "Intraday Mark-to-Market Charge" as an additional charge in calculating the Required Fund Deposit and the new Segregated Customer Margin Requirement<sup>21</sup> in the new Margin Component Schedule,<sup>22</sup> Sections 2(b) and 3(b).

#### Impact Study

FICC performed an impact study for the period beginning July 1, 2022 through June 30, 2024 ("Impact Study Period"). If the proposed Intraday Mark-to-Market Charge had been in place during the Impact Study Period compared to the existing GSD Rules,

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<sup>21</sup> FICC recently received regulatory approval to make changes to the GSD Rules regarding the separate calculation, collection and holding of margin for indirect participant transactions of Members. The margin requirement for a Member's segregated indirect participant transactions would be referred to as the Segregated Customer Margin Requirement. See Securities Exchange Act Release Nos. 101695 (Nov. 21, 2024), 89 FR 93763 (Nov. 27, 2024) (SR-FICC-2024-007) and 101675 (Nov. 21, 2024), 89 FR 93735 (Nov. 27, 2024) (SR-FICC-2024-802). Therefore, FICC is proposing to also include the Intraday Mark-to-Market Charge as an additional charge in calculating the Segregated Customer Margin Requirement.

<sup>22</sup> Supra note 10.

on average it would be assessed on a Member twice a day.<sup>23</sup> The aggregate average daily Intraday Mark-to-Market Charges would be approximately \$28.8 million and the number of backtesting deficiencies would have been reduced by 21 (from 350 to 329, or approximately 6 percent). Two Members would be assessed an Intraday Mark-to-Market Charge, on average, during the Impact Study Period.

The average daily Intraday Mark-to-Market Charge in dollars per impacted Member would be approximately \$17.5 million (approximately 31 percent of the average daily Clearing Fund deposit per impacted Member).

The three largest daily Intraday Mark-to-Market Charge in dollars for Members would be \$384.7 million (approximately 39 percent of the Member's daily Clearing Fund deposit and 3.3 percent of the Member's average Net Capital),<sup>24</sup> \$342.9 million (approximately 29 percent of the Member's daily Clearing Fund deposit and 2.7 percent of the Member's average Net Capital), and \$260.4 million (approximately 38 percent of the Member's daily Clearing Fund deposit and 1.6 percent of the Member's average Net Capital).

The three largest daily Intraday Mark-to-Market Charge for Members as percentages of the relevant Member's daily Clearing Fund deposit would be 352 percent, or \$4.5 million (1.8 percent of the Member's average Net Capital), 203 percent, or \$27.7

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<sup>23</sup> The impact study excluded three (3) instances of large mark-to-market fluctuations arising out of trade errors that occurred during the Impact Study Period.

<sup>24</sup> 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 SEC Rule 15c3-1(c)(2), or any successor rule or regulation thereto. See GSD Rule 1 (Definitions), *supra* note 3.

million (0.6 percent of the Member's average Net Capital), and 178 percent, or \$3.7 million (3.4 percent of the Member's average Net Capital).

FICC also analyzed the impact data by bifurcating the Impact Study Period into two one-year periods. If the proposed Intraday Mark-to-Market Charge had been in place for the period beginning July 1, 2022 through June 30, 2023 compared to the existing GSD Rules, on average it would be assessed on a Member twice a day. The aggregate average daily Intraday Mark-to-Market Charges would be approximately \$40.4 million. If the proposed Intraday Mark-to-Market Charge had been in place for the period beginning July 1, 2023 through June 30, 2024 compared to the existing GSD Rules, on average it would be assessed on a Member once a day. This is primarily because the market volatility was higher during the July 1, 2022 through June 30, 2023 period and the market was less volatile during the July 1, 2023 through June 30, 2024 period. The aggregate average daily Intraday Mark-to-Market Charges would be approximately \$17.4 million.

#### Implementation Timeframe

FICC would implement the proposed rule changes by no later than 60 Business Days after the approval of the proposed rule change 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 change is 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 change is consistent with Section

17A(b)(3)(F) of the Act,<sup>25</sup> and Rules 17ad-22(e)(4)(i), (e)(6)(i) and (e)(6)(ii), each promulgated under the Act,<sup>26</sup> for the reasons described below.

Section 17A(b)(3)(F) of the Act requires that the GSD Rules be designed to, among other things, assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible and be designed to promote the prompt and accurate clearance and settlement of securities transactions.<sup>27</sup> FICC believes the proposed change to adopt the Intraday Mark-to-Market Charge is designed to assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible because it is designed to mitigate intraday risks to FICC arising out of changes to position and market value in a Member's portfolio that occur intraday and result in MTM Exposure. Specifically, the proposed Intraday Mark-to-Market Charge would allow FICC to collect financial resources to cover significant risk exposures that warrant the collection of intraday margin.

The Clearing Fund 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 include an Intraday Mark-to-Market Charge among the GSD Clearing Fund components would enable FICC to better address significant adverse intraday mark-to-market changes in a Member's portfolio such that, in the event of 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 adopt the Intraday Mark-to-Market Charge is designed to assure the

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

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

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

safeguarding of securities and funds which are in the custody or control of FICC or for which it is responsible, consistent with Section 17A(b)(3)(F) of the Act.<sup>28</sup>

The proposed rule change with respect to the adoption of the Intraday Mark-to-Market Charge has also been designed to be consistent with Rules 17ad-22(e)(4)(i), (e)(6)(i) and (e)(6)(ii) under the Act.<sup>29</sup> Rule 17ad-22(e)(4)(i) under the Act<sup>30</sup> 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. As described above, FICC believes that the proposed changes would enable it to better identify, measure, monitor, and, through the collection of Members' Required Fund Deposits, manage its credit exposures to Members by maintaining sufficient resources to cover those credit exposures fully with a high degree of confidence. More specifically, the proposed Intraday Mark-to-Market Charge addresses the identification, measurement, monitoring, and management of credit exposures that may arise from intraday changes that occur to a participant's adverse mark-to-market exposure. Moreover, by incorporating the Intraday Mark-to-Market Charge into the GSD Rules, 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. As a result, FICC believes that the proposal to adopt the Intraday Mark-to-Market Charge would enhance FICC's ability to effectively identify, measure, and monitor its credit

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<sup>28</sup> Id.

<sup>29</sup> 17 CFR 240.17ad-22(e)(4)(i), (e)(6)(i) and (e)(6)(ii).

<sup>30</sup> 17 CFR 240.17ad-22(e)(4)(i).

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>31</sup>

Rule 17ad-22(e)(6)(i) under the Act<sup>32</sup> requires FICC 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>33</sup> The proposed Intraday Mark-to-Market Charge is a risk-based margining system with parameters that are regularly reviewed by FICC. Therefore, FICC believes the proposed rule change is consistent with Rule 17ad-22(e)(6)(i) under the Act.<sup>34</sup>

Furthermore, the Required Fund Deposits are made up of risk-based components (as margin) that are calculated and assessed daily to limit FICC's credit exposures to Members. FICC is proposing changes that are designed to more effectively measure and address intraday risk exposures due to Members' MTM Exposure arising between the collections of the Funds-Only Settlement Amount. Adopting the Intraday Mark-to-Market Charge would help to ensure that margin levels are commensurate with the risk exposure of each portfolio throughout the day and that the margin that FICC collects from Members is sufficient to mitigate the credit exposure presented by the Members. Overall, the proposed changes to adopt the Intraday Mark-to-Market Charge would allow FICC to more effectively address the risks presented by Members. In this way, the

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<sup>31</sup> Id.

<sup>32</sup> 17 CFR 240.17ad-22(e)(6)(i).

<sup>33</sup> Id.

<sup>34</sup> Id.

proposed changes 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 the proposed changes are consistent with the requirements of Rule 17ad-22(e)(6)(i) under the Act.<sup>35</sup>

Rule 17ad-22(e)(6)(ii) under the Act<sup>36</sup> requires FICC 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, (A) marks participant positions to market and collect margin at least daily, (B) monitors intraday exposure on an ongoing basis, (C) includes the authority and operational capacity to make intraday margin calls as frequently as circumstances warrant, including (1) when risk thresholds specified by FICC are breached, and (2) when the products cleared or markets served display elevated volatility, and (D) documents when FICC determines not to make an intraday call pursuant to its written policies and procedures.<sup>37</sup>

FICC believes that the proposed changes to adopt the Intraday Mark-to-Market Charge as described herein are consistent with the requirements of Rule 17ad-22(e)(6)(ii) cited above. The proposed Intraday Mark-to-Market Charge would be calculated and assessed at least daily based on FICC's ongoing monitoring of its intraday exposures to Members. As proposed, FICC would be able to make intraday margin calls as frequently as circumstances warrant, including when risk thresholds specified by FICC are breached and when the products cleared or markets served by FICC display elevated volatility. The proposed changes would also provide that FICC would document instances when it

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<sup>35</sup> Id.

<sup>36</sup> 17 CFR 240.17ad-22(e)(6)(ii).

<sup>37</sup> Id.

determines not to make an intraday call pursuant to its policies and procedures. Overall, the proposed changes to adopt the Intraday Mark-to-Market Charge would allow FICC to more effectively address its intraday credit exposure to its Members, consistent with the requirements of Rule 17ad-22(e)(6)(ii) under the Act.<sup>38</sup>

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

FICC believes the proposed rule changes to adopt the Intraday Mark-to-Market Charge could impose a burden on competition. As a result of the proposed rule changes, participants may experience increases in their Required Fund Deposits and/or Segregated Customer Margin Requirements. An impact study during the Impact Study Period indicates that the average daily Intraday Mark-to-Market Charge in dollars per Member would be approximately \$17.5 million. 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. 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, FICC believes that the proposed rule changes would be necessary in furtherance of the Act, as described in this filing and further below. FICC believes that the above-described burden on competition that may be created by the proposed changes is necessary. This is because the GSD Rules must be designed to assure the safeguarding of securities and funds that are in FICC's custody or control or for which it is responsible, consistent with Section 17A(b)(3)(F). As described above, FICC believes that the adoption of the Intraday Mark-to-Market Charge would enable FICC to better address

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<sup>38</sup>

Id.

significant adverse intraday mark-to-market changes in a Member's portfolio such that, in the event of 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, the proposed changes to adopt the Intraday Mark-to-Market Charge are designed to assure the safeguarding of securities and funds which are in the custody or control of FICC or for which it is responsible, consistent with Section 17A(b)(3)(F) of the Act.<sup>39</sup>

FICC also believes these proposed changes to adopt the Intraday Mark-to-Market Charge are necessary to support FICC's compliance with Rules 17ad-22(e)(4)(i), (e)(6)(i) and (e)(6)(ii) under the Act,<sup>40</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, including by maintaining sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence, (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, and (z) cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, (A) marks participant positions to market and collect margin at least daily, (B) monitors intraday exposure on an ongoing basis, (C) includes the authority and operational capacity to make intraday margin calls as frequently as circumstances warrant, including (1) when risk thresholds specified by FICC are breached, and (2) when the products cleared or markets served display elevated

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<sup>39</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>40</sup> 17 CFR 240.17ad-22(e)(4)(i), (e)(6)(i) and (e)(6)(ii).

volatility, and (D) documents when FICC determines not to make an intraday call pursuant to its written policies and procedures.

As described above, FICC believes that adopting the Intraday Mark-to-Market Charge would allow FICC to more effectively mitigate risk exposure arising out of intraday changes to position and market value in a participant's portfolio that result in MTM Exposure. Specifically, FICC believes the proposed change to adopt the Intraday Mark-to-Market Charge would appropriately cover FICC's credit exposure to participants with a high degree of confidence in such a situation. Therefore, FICC believes that these proposed changes to adopt the Intraday Mark-to-Market Charge would allow FICC to effectively identify, measure, monitor, and manage its credit exposures to participants and better limit FICC's credit exposures to participants by maintaining sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence, cover its credit exposures to its participants by producing margin levels commensurate with the risks and particular attributes of each relevant product and portfolio as well as collecting intraday margin, consistent with the requirements of Rules 17ad-22(e)(4)(i), (e)(6)(i) and (e)(6)(ii) under the Act.<sup>41</sup>

FICC also believes that the above-described burden on competition that could be created by the proposed changes would be appropriate in furtherance of the Act because such changes have been appropriately designed to assure the safeguarding of securities and funds which are in the custody or control of FICC or for which it is responsible, as described in detail above. The proposed changes to adopt an Intraday Mark-to-Market Charge is specifically designed to cover significant risk exposures that warrant the collection of intraday margin, i.e., when the calculated Intraday Mark-to-Market Charge breached three Parameter Breaks, namely (1) Dollar Threshold, (2) Percentage

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<sup>41</sup> Id.

Threshold, and (3) Trading Day Threshold/ Coverage Target. 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 changes to adopt the Intraday Mark-to-Market Charge would improve the risk-based margining methodology that FICC employs to set margin requirements and better limit FICC's credit exposures to its participants. Impact studies indicate that the proposed Intraday Mark-to-Market Charge would result in backtesting coverage that more appropriately addresses the risks presented by each participant's portfolio(s). Therefore, because the proposed changes are designed to provide FICC with a more appropriate and complete measure of the risks presented by participants' portfolios, FICC believes the proposals are appropriately designed to meet its risk management goals and its regulatory obligations.

Accordingly, FICC does not believe that the proposed changes to adopt the Intraday Mark-to-Market Charge would impose any burden on competition that is not necessary or appropriate in furtherance of the Act.<sup>42</sup>

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<sup>42</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 additional written comments are received, they will be publicly filed as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

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

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

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

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

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 (<https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking>);  
or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FICC-2025-005 on the subject line.

##### Paper Comments:

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

All submissions should refer to File Number SR-FICC-2025-005. 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 (<https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of FICC and on DTCC's website

([www.dtcc.com/legal/sec-rule-filings](http://www.dtcc.com/legal/sec-rule-filings)). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-FICC-2025-005 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>43</sup>

**J. Matthew DeLesDernier,**

*Deputy Secretary.*

[FR Doc. 2025-05200 Filed: 3/26/2025 8:45 am; Publication Date: 3/27/2025]

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<sup>43</sup> 17 CFR 200.30-3(a)(12).