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SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-102983; File No. SR-FICC-2025-012]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Rules Relating to the Legal Entity Identifier Requirement

May 2, 2025

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 25, 2025, Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. FICC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(4) thereunder.⁴ 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 amendments to the Rules in order to require (i) each applicant applying to become an MBSD Clearing Member or MBSD Cash Settling Bank Member to obtain and provide a Legal Entity Identifier (“LEI”) to FICC as part of its membership application and (ii) each GSD Funds-Only Settling Bank Member, MBSD Clearing Member and MBSD Cash Settling Bank Member to have a current LEI on file with FICC at all times. FICC is also proposing to revise the defined term used in

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(4).

the GSD Rules relating to LEIs to conform to the proposed defined term being added to the MBSD Rules.⁵

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 the proposed rule change is to amend the Rules in order to require (i) each applicant applying to become an MBSD Clearing Member or MBSD Cash Settling Bank Member to obtain and provide a LEI to FICC as part of its membership application and (ii) each GSD Funds-Only Settling Bank Member, MBSD Clearing Member and MBSD Cash Settling Bank Member to have a current LEI on file with FICC at all times. FICC is also proposing to revise the defined term used in the GSD Rules relating to LEIs to conform to the proposed defined term being added to the MBSD Rules.

Background

LEI Background

⁵ Terms not defined herein are defined in the FICC Government Securities Division ("GSD") Rulebook ("GSD Rules") and the FICC Mortgage-Backed Securities Division ("MBSD") Clearing Rules ("MBSD Rules" and together with the GSD Rules and the MBSD Rules, the "Rules"), available at www.dtcc.com/legal/rules-and-procedures.

An LEI is a 20-character reference code to uniquely identify legally distinct entities that engage in financial transactions.⁶ The LEI system was developed by the Financial Stability Board⁷ together with finance ministers and central bank governors represented in the Group of 20 in the wake of the 2008 financial crisis.⁸ The Financial Stability Board established GLEIF in June 2014 to support the implementation and use of LEIs.⁹ The Regulatory Oversight Committee (“ROC”), a group of public authorities from around the globe, oversees GLEIF and the global LEI system.¹⁰

LEIs are issued by entities called Local Operating Units (“LOUs”) that are accredited by GLEIF to issue LEIs within certain jurisdictions.¹¹ LOUs validate information about an entity and issue a unique LEI for that entity. An LEI provides information about legal entities, including the official legal name, registered address, country of incorporation, registration authority and the entities’ ownership structure, including parent and child organizations.

Adding the LEI Requirement for FICC

⁶ See www.gleif.org/en/about-lei/introducing-the-legal-entity-identifier-lei. The LEI is based on the ISO 17442 standard developed by the International Organization for Standardization and satisfies the standards implemented by the Global Legal Entity Identifier Foundation (“GLEIF”). See www.gleif.org/en/about-lei/introducing-the-legal-entity-identifier-lei.

⁷ The Financial Stability Board is an international body that monitors and makes recommendations about the global financial system. See www.fsb.org.

⁸ See www.gleif.org/en/about/history.

⁹ See *supra* note 6. See also www.gleif.org/en/about/this-is-gleif.

¹⁰ The ROC is a group of public authorities from around the globe established in January 2013 to coordinate and oversee the global LEI system. See www.gleif.org/en/about/governance/regulatory-oversight-committee-roc.

¹¹ See www.gleif.org/en/about-lei/get-an-lei-find-lei-issuing-organizations.

FICC’s parent entity, The Depository Trust & Clearing Corporation (“DTCC”),¹² provides technology resources and support services to FICC and DTCC’s other subsidiaries, including providing support for onboarding, lifecycle management and risk management of the subsidiaries’ applicants and members. Certain of DTCC’s subsidiaries, including FICC with respect to GSD,¹³ currently require that its applicants and members obtain and provide an LEI. However, this requirement is not consistent across DTCC’s subsidiaries and services, including MBSD.

FICC is proposing to add a requirement that its applicants and members of MBSD and GSD Funds-Only Settling Bank Members obtain and provide an LEI to FICC similar to the requirement currently in place for GSD.¹⁴ FICC believes that requiring such applicants and members to obtain and provide an LEI to FICC would improve the quality of data that is collected from its participants as well as the process for collecting that data, including providing the following benefits:

- Simplify Operational Processes – LEIs would help simplify and expedite due diligence and know your customer (“KYC”) verification of participants enabling FICC to do business with participants faster and safer.
- Enhance Risk Management – LEIs provide information about counterparty relationships and hierarchies within and between financial entities, improving counterparty risk assessment and management.

¹² DTCC is a non-public holding company that owns three registered clearing agencies and related businesses. In addition to FICC, DTCC also owns the following registered clearing agencies: The Depository Trust Company and the National Securities Clearing Corporation.

¹³ FICC implemented LEI requirements for GSD in compliance with a rule adopted by the Office of Financial Research of the U.S. Department of Treasury establishing a data collection requirement covering centrally cleared transactions in the U.S. repurchase market. See Securities Exchange Act Release No. 88557 (Apr. 3, 2020), 85 FR 19979 (Apr. 9, 2020) (SR-FICC-2020-002).

¹⁴ Id.

- Leverage Existing Capabilities – The use of LEIs would allow FICC to leverage existing DTCC technology and data to create automatic upfront validations to support participant onboarding and lifecycle management for FICC and DTCC’s other subsidiaries.
- Reliable Data Source – The LEI system is supported by a trusted method of verifying the identity of the legal entity in question and would provide a reliable data source. This is supported by the LOUs maintenance of all respective reference and identification data and the overall global LEI system which is coordinated and overseen by ROC.
- Reduction in Record Duplication – The use of LEIs would reduce overlap and duplication of data within databases, helps streamline data reconciliations and reduce data errors by decreasing the requirements for manual comparison of different databases.

Implementing an LEI requirement is also intended to improve DTCC’s ability to manage data across its subsidiaries, including FICC. Many participants are shared among FICC and its affiliates. Currently, there is no consistent requirement for submission of an industry identifier by FICC and DTCC’s other subsidiaries. This has impacted DTCC’s ability to profile its subsidiaries’ participants quickly and efficiently across all the subsidiaries’ products and services. DTCC’s other subsidiaries are also implementing an LEI requirement consistent with the LEI requirements being proposed for FICC.

Member Impact

Based on an analysis by FICC, approximately 97% of MBSD Members currently have an LEI. Adding the LEI requirement would require the MBSD Members and GSD

Funds-Only Settling Bank Members that have not obtained an LEI to select an LOU,¹⁵ apply for an LEI, and once obtained provide the LEI to FICC. The MBSD Members and GSD Funds-Only Settling Bank Members would also need to renew the LEI periodically. The expense of obtaining and renewing an LEI is minimal, and it can usually be obtained within a few days once the entity provides the necessary information to the LOU.¹⁶

Failure to adhere to the LEI requirement could result in a fine in accordance with the Rules.¹⁷

Rule Changes

In order to add the requirement that participants obtain and provide an LEI, FICC is proposing to make the following changes.

GSD Rules

(i) Defined Term

FICC would amend GSD Rule 1 to change the defined term “Legal Entity Identifier” to “LEI” to conform the proposed defined term being added to the MBSD Rules. FICC is not proposing to substantively change the current defined term. FICC would replace the term Legal Entity Identifier with LEI in each place that it is used in the GSD Rules.

(ii) Funds-Only Settling Bank Members

¹⁵ Only entities that are accredited by GLEIF may issue LEIs. A list of accredited LOUs can be found on the GLEIF website: www.gleif.org/en/about-lei/get-an-lei-find-lei-issuing-organizations.

¹⁶ Based on a review by DTCC, the average cost for registering a new LEI is approximately \$71, the average cost for maintenance is approximately \$62, and the application processing time is typically 24-48 business hours.

¹⁷ See GSD Rule 48 and MBSD Rule 38, *supra* note 5 (provide that FICC may discipline any Member or Limited Member for violations of the Rules, including but not limited to a fine).

FICC would amend Section 4(d) of GSD Rule 13 to require that each Funds-Only Settling Bank Member always has a current LEI on file with FICC. FICC is proposing to add a footnote in that section that states such members shall have 60 calendar days from the date they are notified by Important Notice to submit their LEIs. The footnote would provide that it would sunset at the end of the 60-calendar day period.

MBSD Rules

(i) Defined Term

FICC would add a new defined term, LEI, to MBSD Rule 1. FICC would use the terminology of the GLEIF for the definition.¹⁸

(ii) MBSD Applicants

FICC would amend Section 3 of MBSD Rule 2A to require each FICC applicant who becomes a Clearing Member to obtain and provide an LEI to FICC as part of its membership application.

(iii) Clearing Members

FICC would amend Section 2 of MBSD Rule 3 to require that each Member always have a current LEI on file with FICC. FICC is proposing to add a footnote in that section which states such members shall have 60 calendar days from the date they are notified by Important Notice to submit their LEIs. The footnote would provide that it would sunset at the end of the 60-calendar day period.

(iv) Cash Settling Bank Members

FICC would amend Section (b)(iv) of MBSD Rule 3A to require that each applicant to become a Cash Settling Bank Member shall obtain and provide to FICC an LEI. FICC would amend Section (d) of Rule 3A to require that each Cash Settling Bank Member always have a current LEI on file with FICC. FICC is proposing to add a

¹⁸ See supra note 6.

footnote in that section which states such Cash Settling Bank Members shall have 60 calendar days from the date they are notified by Important Notice to submit LEIs for each of their Sponsored Members. The footnote would provide that it would sunset at the end of the 60-calendar day period.

Implementation Timeframe

DTCC is determining a framework relating to the adoption of the selected LEI option across all DTCC subsidiaries and product lines, including an approach to managing the implementation of the LEI requirement for both existing and new clients of FICC. FICC would provide notice to existing GSD Funds-Only Settling Bank Members, MBSD Clearing Members, and MBSD Cash Settling Bank Members, including by Important Notice, advising them of the LEI requirements for FICC and notifying them of the dates by which they are expected to have obtained and provided an LEI to FICC. FICC would give such members that do not currently have an LEI, 60-calendar days from the date of the notice to obtain and provide an LEI to FICC. FICC considers 60-calendar days to be sufficient for obtaining an LEI, as it can typically be acquired within a few days once the entity provides the necessary entity information to the LOU.

2. Statutory Basis

Section 17A(b)(3)(F) of the Act, requires, that the Rules be designed to, among other things, promote the prompt and accurate clearance and settlement of securities transactions.¹⁹

FICC believes that the proposed changes to add an LEI requirement are consistent with this provision because the proposed revisions would improve the quality of data that is collected from FICC's participants as well as the process for collecting that data including (i) simplifying and expediting certain operational processes, including due

¹⁹ 15 U.S.C. 78q-1(b)(3)(F).

diligence and KYC, by utilizing an efficient and accurate method to verify identity of FICC participants, (ii) enhancing counterparty risk assessment and management of participants by improving information about counterparty relationships and hierarchies within and between participants, (iii) creating efficiencies relating to onboarding and lifecycle management for FICC and DTCC's other subsidiaries that share participants, (iv) obtaining reliable data from the standardized global LEI system, a dependable source of verified data, and (v) reducing overlap and duplication of data within databases and helping to streamline data reconciliations and reduce data errors. FICC believes that creating efficiencies in operational processes, onboarding and lifecycle management and improving risk management by improving the quality of verified data that is collected from FICC's participants as well as the process for collecting that data would promote the prompt and accurate clearance and settlement of securities transactions by FICC. As such, FICC believes the proposed rule changes are consistent with Section 17A(b)(3)(F) of the Act.²⁰

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

FICC believes that the proposed changes to add an LEI requirement could impose a burden on competition because these changes would impose a cost on firms that currently do not have an LEI to obtain and maintain them. FICC does not believe that any burden on competition imposed by the proposed rule change would be significant because the cost to obtain and maintain an LEI is relatively small,²¹ and FICC understands that many of its members already maintain LEIs for other purposes. Regardless of whether the potential burden on competition is deemed significant, FICC

²⁰ Id.

²¹ As noted above, based on a review by DTCC, the average cost for registering a new LEI is approximately \$71 and the average cost for maintenance is approximately \$62.

believes the proposed rule change is both necessary and appropriate in furtherance of the purposes of the Act. Specifically, FICC believes that any burden on competition that is created by the proposed changes would be necessary in furtherance of the purposes of the Act²² because creating efficiencies in operational processes, onboarding and lifecycle management and improving risk management by improving the quality of verified data that is collected from FICC's participants as well as the process for collecting that data would promote the prompt and accurate clearance and settlement of securities transactions by FICC. FICC also believes that any burden that is created by the proposed rule change would be appropriate in furtherance of the purposes of the Act²³ because the proposed changes would be limited to requiring an LEI that is easily obtained through the established global LEI system at a relatively minor cost.

(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 a Comment*, available at www.sec.gov/regulatory-actions/how-to-submit

²² 15 U.S.C. 78q-1(b)(3)(I).

²³ Id.

comments. 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 or 202-551-5777.

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

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

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

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's internet comment form (www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include file number SR-FICC-2025-012 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-2025-012. 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-2025-012 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.²⁴

Sherry R. Haywood,

Assistant Secretary.

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²⁴ 17 CFR 200.30-3(a)(12).