This document is scheduled to be published in the Federal Register on 2026-11-09 and available online at https://www.federalregister.gov/d/2026-22755, and on https://govinfo.gov

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106815; File No. SR-FICC-2026-011]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Remove a Requirement That Sponsoring Members Report Certain Events Impacting Their Sponsored Members

November 4, 2026.

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 October 29, 2026, Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. FICC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act[3] and Rule 19b-4(f)(6) 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 modifications to FICC's Government Securities Division ("GSD") Rulebook ("Rules")[5] to remove the requirement that

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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)(6).

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

Sponsoring Members provide FICC with written notice of certain events impacting their Sponsored Members.

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

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

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

1. Purpose

FICC is proposing changes to Rule 3A, which describes GSD's sponsored membership service ("Sponsored Service"). Specifically, the proposed rule change would remove the requirement that a Sponsoring Member provide FICC with written notice (i) when it becomes aware that its Sponsored Member is no longer in compliance with applicable requirements of Rule 3A, and (ii) before the effective date of any "Reportable Event" applicable to a Sponsored Member.[6] As described below, FICC has implemented changes to the requirements applicable to Sponsored Members and has enhanced its monitoring of Sponsored Members. As a result of such previously implemented changes,

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6 "Reportable Event" is defined in Rule 1 as "an event that would effect a change in control of a Netting Member or could have a substantial impact on such Member's business and/or financial condition, including, but not limited to: (a) material organizational changes including mergers, acquisitions, changes in corporate form, name changes, changes in the ownership of a Netting Member or its Affiliates, and material changes in management, (b) material changes in business lines, including new business lines undertaken, and (c) status as a defendant in litigation which could reasonably impact the Netting Member's financial condition or ability to conduct business." Id.

FICC believes these reporting requirements for Sponsoring Members are no longer necessary.

Overview of Sponsored Service, Sponsored Member Requirements and FICC Monitoring

FICC, through GSD, serves as a central counterparty and provides real-time trade matching, clearing, risk management and netting for cash purchases and sales of U.S. Treasury securities as well as repurchase and reverse repurchase transactions involving U.S. Treasury securities ("repos").[7] GSD's central counterparty services are available directly to entities that are approved to be Netting Members and indirectly to other market participants through its indirect access models – the Sponsored Service or Agent Clearing Service.[8]

The Sponsored Service permits Netting Members, approved by FICC as "Sponsoring Members," to sponsor firms, referred to as "Sponsored Members," into GSD membership.[9] The Sponsoring Member is permitted to submit to FICC for comparison, novation and netting certain types of eligible transactions. For operational and administrative purposes, a Sponsored Member appoints its Sponsoring Member to act as processing agent with respect to the Sponsored Member's satisfaction of its securities and funds-only settlement obligations.

A Sponsored Member is an Indirect Participant of GSD and the legal counterparty to FICC for any submitted transactions. However, the Sponsoring Member unconditionally guarantees to FICC the Sponsored Member's performance under a Sponsoring Member Guaranty, which guarantees to FICC the payment and performance

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

8 See Rule 2 (Members) (providing that FICC shall make its services available to entities that are approved to be Members of GSD); Rule 3A (Sponsoring Members and Sponsored Members) (describing the Sponsored Service) and Rule 8 (Agent Clearing Service) (describing the Agent Clearing Service), supra note 5.

9 See Rule 3A, supra note 5.

of a Sponsored Member's obligations to FICC. Therefore, FICC relies on the financial resources of the Sponsoring Member in relying upon the Sponsoring Member Guaranty.

FICC recently adopted enhancements to its access models designed to facilitate access to clearance and settlement services of all eligible secondary market transactions in U.S. Treasury securities in accordance with the Securities and Exchange Commission's final rule regarding Standards for Covered Clearing Agencies for U.S. Treasury Securities and Application of the Broker-Dealer Customer Protection Rule With Respect to U.S. Treasury Securities.[10] Among these enhancements, FICC removed the eligibility requirement that Sponsored Members either be "qualified institutional buyers," as such term is defined by Rule 144A under the Securities Act of 1933, or otherwise satisfy the financial requirements of such definition.[11] With this change, Section 3(a) of Rule 3A now provides only that a Person shall be eligible to become a Sponsored Member if it is sponsored into membership by a Sponsoring Member, as provided under the Rules.

FICC monitors the risks presented by its Indirect Participants in various ways, consistent with the requirements of Rule 17ad-22(e)(19) under the Act.[12] For example, FICC may request information from direct clearing members periodically through its annual or ad hoc due diligence requests, as required by Section 2(d) of Rule 3A and Section 2 of Rule 3.[13] This monitoring may include the request and review of information related to direct clearing members' Indirect Participants, where applicable, and controls

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10 Securities Exchange Act Release No. 99149 (Dec. 13, 2023), 89 FR 2714 (Jan. 16, 2024) (S7-23-22).

11 See Securities Exchange Act Release No. 101694 (Nov. 21, 2024), 89 FR 93784 (Nov. 27, 2024) (SR-FICC-2024-005).

12 17 CFR 240.17ad-22(e)(19).

13 See supra note 5.

the direct clearing member has in place to monitor and manage the risk presented by those Indirect Participants.[14]

FICC also maintains procedures pursuant to which it actively monitors adverse news events impacting Sponsored Members. FICC has recently enhanced these procedures to use Sponsored Members' Legal Entity Identifiers ("LEIs") in that monitoring. By relying on a Sponsored Member's LEI, rather than its legal name, FICC can continue to identify adverse news events even after a Sponsored Member has changed its name.[15] FICC uses a compliance tool sourced from a third-party vendor to conduct this monitoring.

Proposed Changes to Remove Sponsored Member Reporting

FICC is proposing to amend Section 2(g) of Rule 3A by removing the requirement that a Sponsoring Member submits written notice to FICC (i) when it becomes aware that a Sponsored Member is no longer in compliance with the requirements of Section 3(a) of Rule 3A, and (ii) prior to the effective date of any Reportable Event applicable to a Sponsored Member.

First, the proposal to remove the requirement that FICC be notified when a Sponsoring Member becomes aware of a Sponsored Member is no longer in compliance with the requirements of Section 3(a) of Rule 3A would correct an error in the Rules. FICC has already removed the requirements applicable to Sponsored Members that were in Section 3(a) of Rule 3A.[16] Therefore, this part of the reporting requirement is no longer

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14 See Rule 3 (Ongoing Membership Requirements), Section 2 (requiring Netting Members to submit to FICC information that FICC may reasonably require); and Rule 3A (Sponsoring Members and Sponsored Members), Section 2(d) (requiring Sponsoring Members to submit reports and information within timeframes and in formats required by FICC) and Section 2(f) (requiring that Sponsoring Members' books and records, as related to Sponsored Member Trades, shall be open to the inspection of FICC), supra note 5.

15 See Rule 3A, Section 2(d) (requiring that Sponsoring Members submit to FICC the LEI for each Sponsored Member, such that FICC has a current LEI for each Sponsored Member at all times), supra note 5.

16 See supra note 11.

applicable. The proposed changes would also remove a statement from Section 3(b) of Rule 3A that refers to the requirements that were previously in Section 3(a) of Rule 3A and was also left in the Rules in error.

Second, the proposal to remove the requirement that FICC be notified prior to the effective date of any Reportable Event applicable to a Sponsored Member could facilitate greater access to this indirect participation model by removing an obligation for Sponsoring Members that has limited value in managing the risks presented by the Sponsored Service.

As noted above, FICC employs a daily monitoring tool that identifies instances of adverse news impacting a Sponsored Member. Such adverse news includes regulatory enforcement actions and when a Sponsored Member is named as a defendant in criminal litigation. These events are among the types of events that are captured in the definition of Reportable Event, as these events could have a "substantial impact" on the Sponsored Member's business or financial condition and include when the Sponsored Member is named as a defendant in litigation. Therefore, FICC does not believe it is necessary to require separate reporting of these events by Sponsoring Members.

Additionally, FICC has recently enhanced this monitoring to use Sponsored Members' LEIs to ensure its monitoring continues to be effective even if a Sponsored Member has changed its legal name. Therefore, notice of any changes to a Sponsored Member's name, which are also included in the Reportable Event reporting requirement, is no longer required to ensure this monitoring remains effective.

FICC has considered the other organizational events that may be considered a Reportable Event and has determined that it is not necessary to receive reporting on these events to effectively manage the risks presented by its limited relationship with Sponsored Members. As described above, FICC risk manages the Sponsored Service primarily at the Sponsoring Member level, not the Sponsored Member level. For

example, a Sponsoring Member is responsible under Section 10 of Rule 3A for posting to FICC the Required Fund Deposit for its sponsored activity and, while Sponsored Members are principally liable to FICC for their settlement obligations, the Sponsoring Member is also required under Section 2(c) of Rule 3A to provide a guaranty to FICC for such obligations.[17]

Further, pursuant to Sections 2(d) and 2(f) of Rule 3A and Section 2 of Rule 3, Sponsoring Members may be required to provide to FICC reports or other information that FICC may require, including, for example, responses to annual or ad hoc due diligence requests.[18] FICC utilizes these due diligence requests to identify, monitor and manage the risks Sponsoring Members and their Sponsored Members may present to it. FICC may take action where it identifies risks through this due diligence process, which could include, for example, outreach to the Sponsoring Members, additional reporting from the Sponsoring Members or other appropriate risk management measures permitted by the Rules.

Therefore, FICC believes its existing monitoring and risk management practices with respect to the Sponsored Service, which do not directly rely on Sponsoring Member reporting of Reportable Events impacting a Sponsored Member, continue to facilitate effective risk management of exposures created through the Sponsored Service without this reporting requirement.

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

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17 See supra note 5.

18 See supra note 14.

17A(b)(3)(F) of the Act[19] and Rule 17ad-22(e)(19), promulgated under the Act,[20] for the reasons described below.

Section 17A(b)(3)(F) of the Act requires, in part, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions.[21] The proposed rule change would remove a reporting requirement from the Rules because that part of that requirement is no longer applicable and refers to a membership requirement that has already been removed from the Rules. The proposal would therefore ensure the Rules remain accurate and clear. When the Rules clearly and accurately set forth the rights and obligations of GSD Members, including Sponsoring Members, the Rules support the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.[22]

FICC has determined that the other part of the reporting requirement that would be removed from the Rules has limited risk management value relative to FICC's existing and enhanced monitoring tools and in light of FICC's approach to risk manage the Sponsored Service primarily at the Sponsoring Member level, not the Sponsored Member level. In this way, the proposal would also ensure that the obligations of membership are reasonable and necessary. Having reasonable membership obligations encourages participation in central clearing. Therefore, FICC believes the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.[23]

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19 15 U.S.C. 78q-1(b)(3)(F).

20 17 CFR 240.17ad-22(e)(19).

21 15 U.S.C. 78q-1(b)(3)(F).

22 Id.

23 Id.

Rule 17ad-22(e)(19) under the Act requires that FICC establish, implement, maintain and enforce written policies and procedures reasonably designed to identify, monitor, and manage the material risks to the covered clearing agency arising from arrangements in which firms that are indirect participants in the covered clearing agency rely on the services provided by direct participants to access the covered clearing agency's payment, clearing, or settlement facilities.[24] By eliminating requirements that are both no longer applicable and are no longer reasonable and necessary, the proposal would ensure that the Rules are reasonably designed to manage the risks arising from indirect participation models. FICC has evaluated its existing and enhanced risk management measures and believes that they adequately address the risks that these requirements were originally designed to mitigate. Therefore, FICC believes the proposed changes are consistent with Rule 17ad-22(e)(19) under the Act.[25]

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

FICC does not believe the proposed rule changes would have any impact on competition. The proposed changes would apply equally to all Sponsoring Members by removing a reporting obligation that currently applies to all Sponsoring Members with respect to their Sponsored Members. Therefore, the change does not create any disproportionate impact on certain firms versus other firms with the same membership type at FICC. As described above, the proposal to remove this reporting obligation is to correct an error in the Rules that continues to refer to a membership requirement that has been removed, and to remove a requirement that has limited value in managing the risks presented by Sponsored Members that are adequately managed through FICC's existing

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24 17 CFR 240.17ad-22(e)(19).

25 Id.

and enhanced monitoring tools. FICC does not believe such proposed changes would have any effect on participants' respective competitive positions.

(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 Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

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

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

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

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

Because the foregoing proposed rule change does not:

(i) significantly affect the protection of investors or the public interest;

(ii) impose any significant burden on competition; and

(iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act[26] and Rule 19b-4(f)(6) thereunder.[27]

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-2026-011 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-FICC-2026-011. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (www.sec.gov/rules/sro.shtml). Copies of the filing will be available for inspection and

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[26] 15 U.S.C. 78s(b)(3)(A).

[27] 17 CFR 240.19b-4(f)(6).

copying at the principal office of FICC and on DTCC's website (www.dtcc.com/legal/sec-rule-filings). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-FICC-2026-011 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.[28]

Sherry R. Haywood,

Assistant Secretary.

[FR Doc. 2026-22755 Filed: 11/6/2026 8:45 am; Publication Date: 11/9/2026]

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