

the cross-class server from receiving BBO and ABBO information for the classes that could be components of a Multi-Class Spread Order. The proposal will allow accurately priced Multi-Class Spread Orders to be represented in open outcry rather than being rejected inappropriately when they are submitted to PAR. The Commission notes that the Exchange has received feedback from investors indicating that the current application of the fat finger check to Multi-Class Spread Orders is too limited. In addition, the Commission notes that Multi-Class Spread Orders, which trade only on the Exchange's floor, will continue to be subject to other safeguards, including real-time broker evaluation of floor-based pricing and other System-applied price checks that are designed to provide protection against executions at prices that may be erroneous. The Commission also notes that the Exchange will announce the implementation of the proposal to Trading Permit Holders in advance via Trade Desk Notice. For these reasons, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.<sup>24</sup>

At any time within 60 days of the filing of such 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. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)<sup>25</sup> of the Act to determine whether the proposed rule change should be approved or 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 (<http://www.sec.gov/rules/sro.shtml>); or

<sup>24</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>25</sup> 15 U.S.C. 78s(b)(2)(B).

- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2021-018 on the subject line.

##### Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CBOE-2021-018. 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 (<http://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 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2021-018, and should be submitted on or before April 23, 2021.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>26</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

[FR Doc. 2021-06776 Filed 4-1-21; 8:45 am]

**BILLING CODE 8011-01-P**

<sup>26</sup> 17 CFR 200.30-3(a)(12).

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-91430; File No. SR-FICC-2021-002]

### Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Recovery & Wind-Down Plan

March 29, 2021.

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 23, 2021, Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. FICC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(4) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change<sup>5</sup> consists of amendments to the R&W Plan to (i) reflect business and product developments, (ii) make certain changes to improve the clarity of the Plan, (iii) remove provisions covering certain "business-as-usual" actions, and (iv) make certain technical corrections, as described in greater detail below.

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

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

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

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

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

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

<sup>5</sup> Capitalized terms not defined herein are defined in the FICC Government Securities Division ("GSD") Rulebook (the "GSD Rules") or the FICC Mortgage-Backed Securities Division ("MBS") Clearing Rules (the "MBS Rules," and collectively with the GSD Rules, the "Rules"), available at <https://www.dtcc.com/legal/rules-and-procedures>, or in the Recovery & Wind-down Plan of FICC (the "R&W Plan" or "Plan").

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 proposed rule change would amend the R&W Plan to (i) reflect business and product developments, (ii) make certain changes to improve the clarity of the Plan, (iii) remove provisions covering certain "business-as-usual" actions, and (iv) make certain technical corrections. Each of the proposed revisions is further described below.

Background

The R&W Plan was adopted in August 2018<sup>6</sup> and is maintained by FICC for compliance with Rule 17Ad-22(e)(3)(ii) under the Act.<sup>7</sup> The R&W Plan sets forth the plan to be used by the Board and FICC management in the event FICC encounters scenarios that could potentially prevent it from being able to provide its critical services as a going concern. The R&W Plan is structured as a roadmap that defines the strategy and identifies the tools available to FICC to either (i) recover, in the event it experiences losses that exceed its prefunded resources (such strategies and tools referred to herein as the "Recovery Plan"), or (ii) wind-down its business in a manner designed to permit the continuation of FICC's critical services in the event that such recovery efforts are not successful (such strategies and tools referred to herein as the "Wind-down Plan"). The recovery tools available to FICC are intended to address the risks of (a) uncovered losses or liquidity shortfalls resulting from the default of one or more of its Members,<sup>8</sup> and (b) losses arising from non-default events, such as damage to FICC's physical assets, a cyber-attack, or custody and investment losses, and the strategy for implementation of such tools. The R&W Plan also describes the strategy and framework for the orderly

wind-down of FICC and the transfer of its business in the event the implementation of the available recovery tools does not successfully return FICC to financial viability.

The R&W Plan is managed and developed by FICC's parent company, the Depository Trust & Clearing Corporation ("DTCC"),<sup>9</sup> and is managed by the Office of Recovery & Resolution Planning (referred to in the Plan as the "R&R Team") on behalf of FICC, with review and oversight by the DTCC Management Committee and the Board.

Proposed Amendments to the R&W Plan

The Board, or such committees as may be delegated authority by the Board from time to time pursuant to its charter, is required to review and approve the R&W Plan biennially.<sup>10</sup> In connection with the first biennial review of the Plan, FICC is proposing the revisions described in greater detail below. The proposed rule change is designed to update and enhance the clarity of the Plan to ensure it is current in the event it is ever necessary to be implemented. None of the proposed changes modify FICC's general objectives and approach with respect to its recovery and wind-down strategy as set forth under the current Plan.

A. Proposed Changes To Reflect Business or Product Developments

1. GSD Clearing Bank Update

Section 2 (Business Overview) of the R&W Plan describes DTCC's business profile and includes a summary of the services of FICC offered by each of GSD and MBSD (collectively, the "Divisions"). Under the current Plan, the section that summarizes GSD's services (Section 2.2) states that GSD employs the services of two clearing banks, The Bank of New York Mellon ("BNY{XE "BNY"}") and JPMorgan Chase Bank, N.A. ("JPM"), in which Members may instruct their clearing bank to transfer securities. The proposed rule change would delete all references in this section, and an associated footnote, to JPM as a GSD clearing bank. FICC is proposing this change because since the time the Plan was adopted, JPM exited the business of providing U.S. government clearing

services. Going forward, the Plan would refer only to BNY as GSD's clearing bank.

2. Updates to DTCC Business Profile, Intercompany Arrangements, FMI Links and Governance

FICC is proposing the following changes to the DTCC Business Profile, Intercompany Arrangements, FMI Links and Governance sections of the Plan based upon business updates that have occurred since the time the Plan was adopted.

Section 2.1 (DTCC Business Profile) of the Plan describes that DTCC is a user-owned and user governed holding company for a group of direct and indirect subsidiaries and joint ventures. This section includes a brief summary of each of the three subsidiaries (DTC, FICC and NSCC) that have been designated as systemically important financial market utilities ("SIFMUs") by the Financial Stability Oversight Council. The proposed rule change would revise the introductory paragraph of this section to remove reference to joint ventures because DTCC currently has no joint ventures.

Section 2.4 (Intercompany Arrangements) of the Plan currently describes how corporate support services are provided to FICC from DTCC, and to DTCC's other subsidiaries through intercompany agreements under a shared services model. FICC is proposing to update Table 2-A (SIFMU Legal Entity Structure and Intercompany Agreements), which delineates FICC's affiliates to reflect the name change of Omgeo Pte Ltd by removing "Omgeo Pte Ltd" and replacing it with the new name of this entity, "DTCC Singapore Pte. Ltd." A related footnote would also be added to make clear that the services provided by DTCC Singapore Pte. Ltd. are performed through its branch office in Manila, DTCC Manila. Additionally, this section includes a separate table, Table 2-B, that lists each of the DTCC facilities utilized by the Clearing Agencies and indicates whether the facility is owned or leased by DTCC. FICC proposes to update this table to add Boston, Massachusetts as an additional location of a DTCC facility and to indicate that this facility is leased by DTCC.

Currently, Section 2.5 (FMI Links) of the Plan describes some, but not all, of the key financial market infrastructures ("FMIs") that FICC has identified as critical "links."<sup>11</sup> In order to better

<sup>6</sup> See Securities Exchange Act Release Nos. 83973 (August 28, 2018), 83 FR 44942 (September 4, 2018) (SR-FICC-2017-021); and 83954 (August 27, 2018), 83 FR 44361 (August 30, 2018) (SR-FICC-2017-805).

<sup>7</sup> 17 CFR 240.17Ad-22(e)(3)(ii). FICC is a "covered clearing agency" as defined in Rule 17Ad-22(a)(5) under the Act and must comply with paragraph (e) of Rule 17Ad-22.

<sup>8</sup> References herein to "Members" refer to GSD Netting Members and MBSD Clearing Members. References herein to "Limited Members" refer to participants of GSD or MBSD other than GSD Netting Members and MBSD Clearing Members, including, for example, GSD Comparison-Only Members, GSD Sponsored Members, GSD CCIT Members, and MBSD EPN Users.

<sup>9</sup> DTCC operates on a shared service model with respect to FICC and its other affiliated clearing agencies, The Depository Trust Company{XE "NSCC"} ("DTC") and National Securities Clearing Corporation ("NSCC"). Most corporate functions are established and managed on an enterprise-wide basis pursuant to intercompany agreements under which it is generally DTCC that provides relevant services to FICC, DTC {XE "NSCC"} and NSCC (collectively, the "Clearing Agencies").

<sup>10</sup> *Supra* note 6.

<sup>11</sup> As defined in Rule 17Ad-22(a)(8) under the Act, a link "means, for purposes of paragraph (e)(20) of [Rule 17Ad-22], a set of contractual and

align with the structure of DTCC's inventory of links maintained by DTCC's Systemic Risk Office ("SRO"), which includes all of FICC's link relationships, the proposed rule change would delete the current "FMI Links" section of the R&W Plan and replace it with a revised version of Section 2.5 that would include an overview of FICC's link arrangements, a related footnote to the definition of a "link" under Rule 17Ad-22(a)(8) under the Act, and a table, (Table 2-C: Links) listing all of FICC's FMI link arrangements. The table would list the link, the link category (*i.e.*, CCP Cross-Margining or Cross-Guaranty Arrangements), and a brief description. The proposed rule change would also add a table (Table 2-D: Schedule A Relationships) that would identify certain critical external service providers that, as determined by FICC's management, do not meet the specified criteria of "link" but nevertheless are subject to the same review process as is conducted for links, referred to within FICC as "Schedule A Relationships," and a related footnote. This change would align with the structure of SRO's inventory of Schedule A Relationships.

Section 4.3 (Recovery and Wind-down Program Governance) of the Plan currently contains a paragraph that identifies DTCC's "R&R Steering Group" as the internal group responsible for ensuring that each of the Clearing Agencies observes recovery planning requirements, and that recovery planning is integrated into the Clearing Agencies' overall governance processes including the preparation, review, and filing of the Clearing Agencies' R&W Plans. Pursuant to the proposed rule change, FICC would revise Section 4.3 to reflect an internal organizational name change. The proposal would change the name of the R&R Steering Group to the "Recovery and Wind-down Planning Council" to reflect its role as an advisory body.<sup>12</sup> This name change would not change the composition, role or responsibilities of this internal group, which includes selected members of

operational arrangements between two or more clearing agencies, financial market utilities, or trading markets that connect them directly or indirectly for the purposes of participating in settlement, cross margining, expanding their services to additional instruments or participants, or for any other purposes material to their business." 17 CFR 240.17Ad-22(a)(8).

<sup>12</sup> In accordance with DTCC's Policy on Governance of Internal Committees and Councils, a "council" is defined as an advisory body that has no decision-making authority. A council may be formed by any committee or a Managing Director. Councils will share information, discuss topics, and make recommendations to its initiating committee or Managing Director. Councils report up to their initiating committee or Managing Director.

DTCC's Management Committee and members of DTCC's financial and operational risk management, product management, legal and treasury/finance teams that are responsible for providing strategic guidance and direction for the recovery and wind-down program<sup>13</sup> and the Plan. Additionally, for purposes of clarification, the proposal would add the words ", where necessary," to refer to when the council would engage with internal working groups.

### 3. Update to GSD's Critical Services

Section 3 (Critical Services) of the Plan defines the criteria for classifying certain of FICC's services as "critical,"<sup>14</sup> and identifies such critical services and the rationale for their classification. The identification of FICC's critical services is important for evaluating how the recovery tools and the wind-down strategy would facilitate and provide for the continuation of FICC's critical services to the markets it serves. This section also includes a list of indicative non-critical services.

This section includes a table (Table 3-B: GSD Critical Services) that lists each of the services, functions or activities of GSD that FICC has identified as "critical" based on the applicability of the criteria. There is also a table listing MBSD's critical services (Table 3-C: MBSD Critical Services). The proposed rule change would update Table 3-B to add two services, which were implemented since the time the Plan was adopted,<sup>15</sup> that FICC has classified as critical services.

First, the proposed rule change would add the Centrally Cleared Institutional

<sup>13</sup> In 2013, DTCC launched its Recovery & Resolution Planning Program for DTC, NSCC, and FICC as part of its continued commitment to enhancing risk management. The Office of Recovery & Resolution Planning was established to manage the program and the development of the recovery and wind-down plans for the Clearing Agencies {XE "SIFMU RWP's"}.

<sup>14</sup> The criteria that is used to identify a FICC service or function as critical includes consideration as to whether (1) there is a lack of alternative providers or products; (2) failure of the service could impact FICC's ability to perform its central counterparty services through either Division; (3) failure of the service could impact FICC's ability to perform its multilateral netting services through either Division and, as such, could impact the volume of transactions; (4) failure of the service could impact FICC's ability to perform its book-entry delivery and settlement services through either Division and, as such, could impact transaction costs; (5) failure of the service could impact FICC's ability to perform its cash payment processing services through either Division and, as such, could impact the flow of liquidity in the U.S. financial markets; and (6) the service is interconnected with other participants and processes within the U.S. financial system (for example, with other FMIs, settlement banks, and broker-dealers).

<sup>15</sup> *Supra* note 6.

Triparty ("CCIT") service.<sup>16</sup> The text of the description of this service would state that the CCIT service extends central counterparty ("CCP") services and guarantee of completion of eligible trades to tri-party repo transactions between GSD dealer members and eligible tri-party money lenders. In the column that delineates the determinants for the classification of CCIT as a critical service, it would denote by check marks that this is because of (i) a lack of alternative providers and products, (ii) a failure/disruption of CCP services (impact on credit availability), and (iii) a failure/disruption of cash payment processing services (impact on credit and liquidity).

Second, the sponsored membership service<sup>17</sup> would be added as a critical service. The text of the description would state that sponsored membership offers eligible GSD Netting Members the ability to engage in FICC-cleared cash lending and cash borrowing transactions in U.S. Treasury and agency securities and outright purchases and sales of such securities. Sponsoring Members facilitate their sponsored clients' GSD trading activity and act as processing agents on their behalf for all operational functions, including trade submission and settlement with the CCP. In the column that delineates the determinants for the classification of sponsored membership as a critical service, it would denote by check marks that this is because of (i) a lack of alternative providers and products, (ii) a failure/disruption of CCP services (impact on credit availability), (iii) a failure/disruption of multilateral netting services (impact on liquidity) (iv) a failure/disruption of cash payment processing services (impact on credit and liquidity), and (v) a failure/disruption of cash payment processing services (impact on credit and liquidity).

Also, the proposed rule change would enhance the current description of the GSD critical service, GSD RTTM<sup>®</sup>, by adding as the first sentence, "Provides a common electronic platform for collecting and matching trade data, enabling the parties to trade, monitor and manage the status of their trade activity in real-time."

## B. Proposal To Make Certain Clarifications to the R&W Plan

### 1. Business Overview/MBSD Services

As described above, Section 2 (Business Overview) of the R&W Plan

<sup>16</sup> See GSD Rule 3B (Centrally Cleared Institutional Triparty Service), *supra* note 5.

<sup>17</sup> See GSD Rule 3A (Sponsoring Members and Sponsored Members), *supra* note 5.

describes DTCC's business profile and includes a summary of the services of FICC offered by each of the Divisions.

In Section 2.3 (MBSD), pursuant to the proposed rule change, FICC would clarify and enhance the readability of the paragraph under the heading "Trade Comparison/RTTM®."<sup>18</sup> First, at the beginning of the second sentence, the proposed rule change would add the term "SBOD trades"<sup>19</sup> to the list of trades that are guaranteed and novated at the time of comparison.<sup>20</sup> Second, FICC would delete the last sentence of this paragraph,<sup>21</sup> and replace it with the following two new sentences that more fully describe how and when settlement obligations are established between an MBSD Clearing Member and FICC, "Once trade-for-trade destined transactions and stipulated trades are matched and allocated through MBSD, settlement obligations are established between the Member and FICC, however, these trades do not enter the "TBA Netting" process. Once specified pool trades are matched through MBSD, settlement obligations are established between the Member and FICC." This new language would be re-ordered to be the second and third sentences in this paragraph in order to enhance flow and readability. Additionally, the parenthetical in the first sentence "(i.e., a report)" that is currently after the words "transaction output" would be deleted as redundant and not necessary to be included.

## 2. Member Default Losses Through the Crisis Continuum

Section 5 (Member Default Losses through the Crisis Continuum) of the Plan is comprised of multiple subsections that identify the risk management surveillance, tools, and governance that FICC may employ across an increasing stress environment, referred to as the "Crisis Continuum."<sup>22</sup>

<sup>18</sup> See MBSD Rule 5 (Trade Comparison), *supra* note 5.

<sup>19</sup> Under the Plan, "SBOD trades" refers to settlement balance order destined trades.

<sup>20</sup> In this regard, pursuant to the proposed rule change, the sentence would state, "SBOD t trades, trade-for-trade transactions, specified pool trades and stipulated trades are guaranteed and novated at the time of comparison."

<sup>21</sup> Currently, the last sentence of this paragraph states, "Once trade-for-trade transactions, stipulated trades, and specified pool trades are matched by MBSD, settlement obligations are established between the Member and MBSD as these trades do not enter the TBA Netting process." Further, pursuant to MBSD Rule 1 (Definitions), the term "TBA Netting" means the service provided to MBSD Clearing Members, as applicable, and the operations carried out by FICC in the course of providing such service in accordance with MBSD Rule 6 (TBA Netting), *supra* note 5.

<sup>22</sup> As set forth in the Recovery Plan, the phases of the "Crisis Continuum" include (1) a stable

This section currently identifies, among other things, the tools that can be employed by each Division to mitigate losses, and mitigate or minimize liquidity needs, as the market environment becomes increasingly stressed. As more fully described below, the proposed rule change would clarify certain language.

Section 5.2.1 (Stable Market Phase) describes FICC's risk management activities with respect to each Division in the normal course of business. These activities include (i) the routine monitoring of margin adequacy through daily evaluation of backtesting and stress testing results that review the adequacy of FICC's margin calculations, and escalation of those results to internal and Board committees and (ii) routine monitoring of liquidity adequacy through review of daily liquidity studies that measure sufficiency of available liquidity resources to meet cash settlement obligations of the Member that would generate the largest aggregate payment obligation. Further, under the heading "Market Risk Monitoring and Stable Market Indicators," this section states that the amount of Clearing Fund required from each Member is determined principally by Value-at-Risk ("VaR") calculations,<sup>23</sup> and that in order to ensure the VaR model accurately reflects market conditions and provides adequate protection against market risk, FICC evaluates several factors on an ongoing basis.

The proposed rule change would remove the following factor as one of those evaluated because it is no longer part of FICC's model calculation, "Implied volatility to assess whether a potential increase in market price volatility may not be fully incorporated in the historical price moves."<sup>24</sup> The elimination of the language regarding implied volatility provides a more accurate representation of the risk

market phase, (2) a stressed market phase, (3) a phase commencing with FICC's decision to cease to act for a Member or Affiliated Family, and (4) a recovery phase.

<sup>23</sup> As described in the Plan, for each Division, the amount of Clearing Fund required from each Member is determined principally by VaR calculations, which are based on the potential price-change volatility of unsettled positions according to FICC's risk-based margin model.

<sup>24</sup> The remaining factors set forth in the Plan that FICC evaluates to ensure that the VaR model accurately reflects market conditions and provides adequate protection against market risk are: (i) Backtesting and other model performance monitoring to assess the robustness of the Clearing Fund requirements, and (ii) stress testing based on real historical and hypothetical scenarios to assess the margin adequacy under extreme but plausible market conditions. The Clearing Fund formulas for each Division are described in GSD Rule 4 and MBSD Rule 4, *supra* note 5.

model calculation. Consistent with the above, FICC would also remove the paragraph in this section that states that implied market price volatility as measured by benchmarks such as the VIX index does not indicate material changes in market price volatility are expected.

Section 5.2.4 (Recovery Corridor and Recovery Phase) outlines the early warning indicators to be used by FICC to evaluate its options and potentially prepare to enter the "Recovery Phase," which phase refers to the actions to be taken by FICC to restore its financial resources and avoid a wind-down of its business. Included in this section are descriptions of potential stress events that could lead to recovery, and several early warning indicators and metrics that FICC has established to evaluate its options and potentially prepare to enter the Recovery Phase. These indicators, which are referred to in the Recovery Plan as recovery corridor indicators ("Corridor Indicators"),<sup>25</sup> are calibrated against FICC's financial resources and are designed to give FICC the ability to replenish financial resources, typically through business as usual ("BAU") tools applied prior to entering the Recovery Phase.

Section 5.2.4 also includes language that requires FICC management to review the Corridor Indicators and the related metrics at least annually and modify these metrics as necessary in light of observations from simulation of Member defaults and other analyses. In order to more closely align with the biennial cycle of DTCC's multi-member closeout simulation exercise, the proposed rule change would shift the timing of management's review of the Corridor Indicators and related metrics from annually to biennially. FICC believes this change is necessary for consistency with the cycle of the multi-member closeout simulation, in which the Corridor Indicators and metrics are assessed as part of the simulation exercise.

There is a table in Section 5.2.4 (Table 5-B: Loss Waterfall Tools) that delineates the tools that comprise FICC's loss allocation waterfall (with respect to each Division) as set forth under the Rules.<sup>26</sup> This table has four columns ("Order," "Tool," "Relevant Rules," and "Responsible Body/Personnel") and is organized by the

<sup>25</sup> The majority of the Corridor Indicators, as identified in the Recovery Plan, relate directly to conditions that may require FICC to adjust its strategy for hedging and liquidating a defaulting Member's portfolio, and any such changes would include an assessment of the status of the Corridor Indicators.

<sup>26</sup> GSD Rule 4 and MBSD Rule 4, *supra* note 5.

order in which the liquidity resources are to be applied by FICC. Within Table 5–B, Corporate Contribution is the first entry under the column labeled “Tool.” Currently, the narrative for this entry includes a description of Corporate Contribution and delineates that in the event of a cease to act, before applying the applicable Division’s Clearing Fund deposits of Members (other than the Defaulting Member) to cover any resulting loss, FICC will apply the Corporate Contribution.<sup>27</sup>

The proposed rule change would revise the current text of the definition of Corporate Contribution in Table 5–B in order to more closely align with how this term is defined under each Division’s Rule 4. Specifically, pursuant to the proposed rule change the definition of Corporate Contribution would be revised to state, “The Corporate Contribution is an amount equal to 50% of the amount calculated by FICC in respect of its General Business Risk Capital Requirement for losses that occur over any rolling 12 month period.”<sup>28</sup> Similarly, the sentence directly above the definition of Corporate Contribution would be revised to remove the words “applying the applicable Division’s Clearing Fund Deposits of” and replace them with “charging Members of the applicable Division on a pro rata basis.”

With respect to the second entry in Table 5–B, “Loss Allocation,” the descriptive text in the “Responsible Body/Personnel” column would be revised to more closely align with the same language contained in each Division’s Rule 4. The revised text would state, “Members will be obligated to fund loss allocation on the second Business Day after the Corporation issues any such notice and to continue to fully fund their Required Deposits to the extent of any shortfalls.” Additionally, in the “Tool” column for Loss Allocation, the term “non-defaulting Members” would be replaced with “non-Defaulting Members” because Defaulting Member is a defined term in the Rules.

<sup>27</sup> *Id.*

<sup>28</sup> Pursuant to GSD Rule 4 and MBSD Rule 4, *supra* note 5, for any loss allocation pursuant to Section 7 of GSD Rule 4 and MBSD Rule 4, as applicable, whether arising out of or relating to a Defaulting Member Event or a Declared Non-Default Loss Event, FICC’s corporate contribution to losses or liabilities that are incurred by FICC with respect to an Event Period (“Corporate Contribution”) shall be an amount that is equal to fifty (50) percent of the amount calculated by FICC in respect of its General Business Risk Capital Requirement as of the end of the calendar quarter immediately preceding the Event Period.

### 3. Non-Default Losses

Section 6 (Non-Default Losses) of the Plan outlines how FICC would address losses that result other than from a Member default. This section provides a roadmap to other documents that describe these events in greater detail and outlines FICC’s approach to monitoring losses that could result from a non-default event. This section also includes a description of GSD Rule 50 and MBSD Rule 40 (Market Disruption and Force Majeure), referred to in the Plan as the “Force Majeure Rules,”<sup>29</sup> which pertain to how FICC addresses extraordinary events that occur outside the control of FICC and its Members. As more fully described below, the proposed rule change would clarify certain language.

Section 6.4 (Resources to Cover Non-Default Losses) provides that FICC maintains two categories of financial resources to cover losses and expenses arising from non-default risks or events: (i) Liquid Net Assets Funded by Equity (“LNA”), including, pursuant to each Division’s Rule 4, the required Corporate Contribution,<sup>30</sup> and (ii) loss-allocation charges to Members in accordance with the provisions of each Division’s Rule 4.<sup>31</sup> Following an overview of the four buckets of LNA which can be applied towards non-default losses,<sup>32</sup> there is a paragraph under the heading “Loss Allocation to Members, backed by the Clearing Fund” that provides that non-default losses could be allocated among Members as provided in each Division’s Rule 4. There is sentence that describes the timeframe in which such losses charged to Members are required to be paid. Currently, this sentence states that losses are to be paid by Members “within 2 business days of the date of receipt of a notice of a loss allocation

<sup>29</sup> *Supra* note 6.

<sup>30</sup> See Securities Exchange Act Release Nos. 84427 (October 15, 2018), 83 FR 53131 (October 19, 2018) (SR–FICC–2018–009); and 89363 (July 21, 2020), 85 FR 45276 (July 27, 2020) (SR–FICC–2020–008) (filings amending the Clearing Agency Policy on Capital Requirements (the “Capital Policy”) and the Clearing Agency Capital Replenishment Plan (the “Capital Plan”). The initial Capital Policy and Capital Plan were approved by the Commission in 2017—see Securities Exchange Act Release No. 81105 (July 7, 2017), 82 FR 32399 (July 13, 2017) (SR–DTC–2017–003, SR–NSCC–2017–004, SR–FICC–2017–007).

<sup>31</sup> GSD Rule 4 and MBSD Rule 4, *supra* note 5.

<sup>32</sup> As set forth in the Plan, FICC maintains the following four buckets of LNA which can be applied towards a non-default loss: (i) General Business Risk Capital as determined in the Capital Policy, *supra*, note 30, (ii) the Corporate Contribution, (iii) a “Buffer,” as described in the Capital Policy, and (iv) excess LNA, which refers to any available LNA held at FICC above the required amounts for General Business Risk Capital, the Corporate Contribution, and Buffer.

charge. . . .” However, this is not the same language used to describe this timing in each Division’s Rule 4. In order to be consistent with the language formulation set out in each Division’s Rule 4, the proposed rule change would revise this sentence to state, “Losses charged to Members are required to be paid by Members on the second business day after the Corporation issues any such notice of a loss allocation charge and, if not timely paid by any Member, the Corporation may treat that Member as having failed to satisfy its obligation and apply the Clearing Fund deposit of that Member to satisfy its loss allocation obligation.”<sup>33</sup>

Section 6.6 (Market Disruption and Force Majeure Rule) describes the Force Majeure Rules. The Force Majeure Rules were adopted at the same time as the Plan<sup>34</sup> and provide an additional resiliency tool designed to mitigate the risks caused by market disruption events and thereby minimize the risk of financial loss that may result from such events. The proposed rule change would remove the following phrase after the reference to the Force Majeure Rule in the first paragraph of this section, “, adopted in conjunction with this Plan,” because it is not necessary as both the Plan and the Force Majeure Rule are no longer newly adopted. In addition, to remain consistent with the usage of “Force Majeure” and “Market Disruption Event” throughout this section, FICC would conform all references to the defined terms “Force Majeure” and “Market Disruption Event,” so that they appear as capitalized terms.

The proposed rule change would also make revisions to the second paragraph of Section 6. First, for purposes of clarity and readability, the following text would be removed from the beginning of the second sentence: “Most FMIs have rules designed to deal with force majeure or market disruption events, and.” Second, the reference to “Superstorm Sandy” would be removed from the last sentence of this paragraph along with the related footnote that references Superstorm Sandy as an example of circumstances in which FICC needed to fashion a work-around necessitated by a force majeure event. FICC believes inclusion of references to Superstorm Sandy are outdated and no longer necessary to be included in the Plan.

<sup>33</sup> GSD Rule 4 and MBSD Rule 4, *supra* note 5.

<sup>34</sup> *Supra* note 6.

### C. Remove Provisions Covering Certain “Business-as-Usual” Actions

Section 8.6 (Actions and Preparation) of the Plan sets forth the legal framework and strategy for the orderly wind-down of FICC if the use of the recovery tools described in the Recovery Plan do not successfully return FICC to financial viability. This section includes an overview of the actions and preparations to be taken by FICC and DTCC in connection with executing the wind-down portions of the Plan. Section 8.6.1 (Business-as-Usual Actions) describes those actions that FICC or DTCC may take to prepare for wind-down in the period before FICC experiences financial distress.

Under the current plan, the Business-as-Usual Actions are (i) educating the Board to keep them informed of the Plan and the actions the Board would need to take to implement it, (ii) engaging in discussions with key linked FMIs as to the key elements of FICC’s wind-down strategy and the expected actions of the respective link parties should a wind-down be implemented, (iii) developing and maintaining an index of internal data that includes the critical, ancillary, and non-critical services that FICC provides to its membership, the support FICC receives from DTCC and from its other affiliates, key third-party vendors, key personnel, FICC assets and liabilities, and agreements and arrangements FICC has with liquidity providers and with other FMIs, (iv) developing administrative wind-down guidance that identifies key Board and management actions that would be taken during the Recovery Phase and “Runway Period”<sup>35</sup> prior to FICC’s failure, and in connection with its Chapter 11 proceedings, and (v) preparing constituent documents for the Failover Entity<sup>36</sup> and evaluating capitalization options.

Pursuant to the proposed rule change, FICC would remove the Business-as-Usual Actions section (currently Section 8.6.1) in its entirety because each of the actions outlined have either been completed or would be addressed in FICC’s internal procedures going forward. This includes certain documents necessary to effect the wind-

down aspects of the Plan that were in the process of being finalized when the Plan was adopted and have since been completed. Since adoption of the Plan,<sup>37</sup> FICC has completed all necessary internal documentation, including DTCC’s internal wind-down guidance, the constituent documentation for the Failover Entity, and the evaluation of FICC’s capitalization options. Further, the other actions included in this section (e.g., maintaining an index of non-critical services, educating the Board on the Plans) would be addressed, going forward, in DTCC’s Recovery & Resolution Planning Procedures maintained by the R&R Team.<sup>38</sup> As a result of this proposed change, current Section 8.6.2 (Recovery and Runway Period Actions) would be renumbered as Section 8.6.1. Also, consistent with the proposed removal of Business-as-Usual Actions that have been completed, the proposed rule change would remove from the first sentence of proposed Section 8.6.1 (current Section 8.6.2), the words “Among other things, the guidance would provide” and replace them with “The DTCC Clearing Agency Wind-down Guidance developed in connection with this Plan provides.”

### D. Technical Revisions

The proposal would also make several technical changes and corrections to the Plan. FICC believes that these proposed changes would not substantively alter the meaning of the applicable sections and would improve the overall readability and clarity of the Plan. Specifically, FICC is proposing to make the following changes and corrections:

1. In Section 1.3 (Summary), in the list of topics covered under the Plan (a) in the sixth bullet point, delete “participant” and replace it with “Member,” and (b) in the seventh bullet point, add “Recovery Corridor and” prior to the words “Recovery Phase” to correctly state the full name of this section of the Plan.

2. In Section 1.4 (Conventions):

- In the fourth paragraph, delete the words “conjunction with” and replace them with “support of,” and delete the words “also adopted” and replace them

with “maintains.” Accordingly, under the proposed rule change this paragraph would state, “In support of this Plan, each Division of FICC maintains (i) a Market Disruption and Force Majeure Rule (the “Force Majeure Rules”) and (ii) a Wind-down of the Corporation Rule (the “Wind-down Rules”), each as described herein.”

- In the last sentence of this section, delete “CCIT” and replace it with the full name of this GSD service, the “Centrally Cleared Institutional Triparty (“CCIT”) Service.”

3. In Section 2.1 (DTCC Business Profile), under the heading “DTCC SIFMU Subsidiaries”:

- In the description of NSCC, add the word “netting,” after the word “clearing”; and after the words “exchange traded,” delete “fund (“ETP”)” and replace it with “products (“ETPs”).”

- In the description of GSD, add the word “netting,” after the word “clearing”; and add the modifier “fixed rate” before the words “federal agency notes, bonds and zero-coupon securities.”

- In the description of MBSD, delete the modifier “To-Be-Announced (“TBA”)” before the phrase “pass-through MBS issued by Ginnie Mae, Freddie Mac and Fannie Mae.”

4. In Section 2.2 (GSD), in the last sentence of the first paragraph, add “/CCIT” after “GCF Repo®.”

5. In Section 2.3 (MBSD), in the paragraph under the heading “EPN Allocation,” in the last sentence, delete the word “their” before the word “MBSD.”

6. In Section 3.1 (Introduction), correct a typographical error in subsection (c) by replacing “An” with “A” at the beginning of the sentence.

7. In Section 3.2 (Criteria Used to Determine Criticality), in the second sentence that currently states, “Each service was assessed for criticality to determine the potential systemic impact from a service disruption,” add the word “resulting” after the word “impact.”

8. In Table 3–A (Critical Services Critical Determinants), delete criteria determinant number 4 “Failure/Disruption of Book-Entry Delivery/Settlement Services” in its entirety because it applies to the DTC Recovery & Wind-down Plan and was included in the FICC Plan in error. As a result of this deletion, the proposed rule change would also (a) move up the numbering of the criteria determinants that are currently numbers 5 and 6, so that they

<sup>35</sup> The Wind-down Plan identifies the time period leading up to a decision to wind-down FICC as the “Runway Period.”

<sup>36</sup> As set forth in Section 8.4.1 (General Objectives and Approach) of the Plan, in the event that no viable or preferable third-party transferee timely commits to acquire the business and services of FICC, the transfer will be effectuated to a failover entity created for that purpose (referred to as the “Failover Entity”), that would be owned by a trust held, to the extent of the value of the Failover Entity attributed to FICC’s transferred business and services, for the benefit of FICC’s bankruptcy estate.

<sup>37</sup> *Supra* note 6.

<sup>38</sup> The R&R Team is responsible for maintaining the DTCC “Office of Recovery & Resolution Planning Procedures” document. The purpose of these procedures is to communicate roles and responsibilities, and procedures for the documentation of the R&W Plans covering each of the Clearing Agencies, in compliance with applicable rules and regulations. These procedures also describe the biennial closeout simulation exercise whereby the Plans for each clearing agency are tested through the simulation of a multi-member default.

are numbers 4 and 5 respectively<sup>39</sup> and (b) remove the column in Table 3–A designated for criteria determinant number 6.

9. In Section 4.1 (DTCC and SIFMU Governance Structure), (a) in the last sentence of the second paragraph, correct a typographical error by replacing “NSCC” with “FICC” and (b) in the third paragraph, which lists each of the Board committees, delete “Board” before the words “Risk Committee.” Additionally, in the footnote in this section that provides the citation of a previous proposed rule change covering the Clearing Agency Risk Management Framework, add a reference to FICC’s amended filing published July 9, 2020.

10. In Section 4.2, in the paragraph under the heading “Member Default Losses,” in the second sentence add “credit/market and liquidity” before the phrase “loss scenarios throughout the Crisis Continuum (as hereinafter defined).”

11. In Section 5.1 (Introduction), in the fourth paragraph, capitalize the word “board.” Under the heading “Market Risk Management,” in the last sentence of the second paragraph, replace the words “Cross-Guaranty Agreements” with “clearing agency cross-guaranty agreements” because Cross-Guaranty Agreements is not a defined term in the Plan. For purposes of clarity and readability, the proposed rule change would also shift to Section 4.1 the footnote currently included in Section 5.1 regarding each Division’s Rules covering a “cease to act,” insolvency of a Member and associated actions.<sup>40</sup> Additionally, in the footnote included in this section that provides the citation to a previous proposed rule change covering the Clearing Agency Liquidity Risk Management Framework, add a reference to FICC’s amended filing published December 11, 2020.

12. In Section 5.2.3 (Member Default Phase):

- Under the heading “Market Risk Monitoring,” (a) in the second sentence of the second paragraph, remove the capitalization from the first instance of the word “Monitoring” and (b) in the footnotes included in this section, replace “defaulting Member” with “Defaulting Member.”

<sup>39</sup> Pursuant to the proposed rule change, criteria determinant numbers 4 and 5 would be (i) No. 4: Failure/Disruption of Cash Payment Processing Services (Impact on Credit and Liquidity), and (ii) No. 5: Interconnectedness with U.S. Financial System.

<sup>40</sup> See GSD Rule 21 (Restrictions on Access to Services) and MBSD Rule 14 (Restrictions on Access to Services), and GSD Rule 22 (Insolvency of a Member) and MBSD Rule 16 (Insolvency of a Member), *supra* note 5.

- Under the heading “Liquidity Risk Monitoring,” (a) in the fourth bullet point, replace “defaulting Member” with “Defaulting Member,” (b) in the sixth bullet point, replace “defaulting member” with “Defaulting Member,” and (c) in the parenthetical at the end of the last bullet point, delete the words, “in the Event of Member Defaults.”

- Additionally, for consistency and to correct the same typographical error, the proposed rule change would capitalize the words “Defaulting Member” throughout the Plan wherever this term is referenced.

13. In Section 5.2.4 (Recovery Corridor and Recovery Phase), (a) in the first sentence of the first paragraph, make bold the words “Recovery Corridor” and (b) in the second sentence of the first paragraph, after the words “The “Recovery Phase” relates to the actions taken by FICC to,” add the phrase “restore its financial resources and.”

14. In Table 5–A (Corridor Indicators) the proposed rule change would make the following typographical corrections:

- In the entry for “Hedge Effectiveness,” in the third sentence of the column titled “Measures,” delete the words “generally assessed” and replace them with “most relevant.”
- In the entry for “Uncommitted Repo Agreements,” in the column titled “Measures,” delete “16,” and replace it with “a number of” after the phrase “FICC has entered into Master Repurchase agreements with.”
- In the entry for “FICC ceases to act for additional Members,” in the first sentence of the column titled “Status,” under the heading “Improvement Indicator metric,” add the words, “cease to act determinations,” after the words “No expected additional.”
- In the entry for “Loss Allocation,” in the first sentence of the column titled “Measures,” add the word “Defaulting” before the word “Member’s.”

15. In Section 5.3 (Liquidity Shortfalls), in the last sentence of the first paragraph, add the words “market risk” before the word “losses.”

16. In Table 5–C, which lists the tools that can be used to address liquidity shortfalls, in the entry for “Execute dollar rolls or coupon swaps for mortgage backed positions in GSD and MBSD,” in the column titled “Relevant Rules/Documents,” in the first sentence of the third paragraph, after the phrase “These options may provide,” delete the word “options” and replace it with the words “a course of action.”

17. In Section 5.5 (Governance Within the Crisis Continuum), in the first sentence of the second paragraph, delete

the word “invoked” and replace it with the word “commenced.”

18. In Section 6.3 (Risk Mitigation), in the footnote that includes the citation to a previous proposed rule change covering the Clearing Agency Operational Risk Management Framework, add a reference to FICC’s amended filing published December 16, 2020.

19. In Section 6.4 (Resources to Cover Non-Default Losses), under the heading “Liquid Net Assets Funded by Equity,” at the end of the first sentence, add a new footnote for the citation to previous proposed rule changes covering the Capital Plan and Capital Policy.

20. In Section 6.6 (Market Disruption and Force Majeure Rule):

- In the second bullet point of the third paragraph remove the quotation marks from the words “Market Disruption Event” and delete the parenthetical “(as defined in the Force Majeure Rules)” because Market Disruption Event was defined earlier in this section.

- In the second sentence of the fourth paragraph, for purposes of reflecting present tense, delete the word “would” before the word “operate.”

- In the first sentence of the second paragraph:

- For purposes of reflecting present tense and to improve readability, (a) remove the word “currently” after “exigent circumstances” and (b) remove the words “are designed to” and
- in order to correct a typographical error, insert the word “and” in between “its membership” and “to mitigate.”

21. In Table 7–A (Recovery Tool Characteristics), add a period to the end of each sentence.

22. In Section 7.1 (Comprehensiveness), remove the capitalization from the words “Critical Services.”

23. In Section 7.2 (Effectiveness), under the heading “Reliability,” for the purpose of correcting typographical errors, (a) move the second footnote, currently at the end of the last sentence, to the end of the last sentence of the introductory paragraph of Section 7.2 and (b) in the text of the other footnote that currently reads, “See, for example, DTCC Whitepaper, *CCP Resiliency and Resources*, pg. 2, section 2 (June 2015),” remove “, section 2.”

24. In Section 7.5 (Minimize Negative Impact), in the second sentence, correct the spelling of the word “protocols.”

25. In Section 8.2.1 (Potential Scenarios), in the second sentence of the third paragraph, replace “enhancements to the loss allocation process are” with “the loss allocation process is.” Accordingly, under the proposed rule

change this sentence would state, “As noted above, the loss allocation process is designed to ensure that the full Division Clearing Fund can be applied to Division losses arising from successive Member defaults that occur during an “Event Period”, and there can be successive rounds of loss allocations to address losses arising with respect to a given Event Period.”

26. In Section 8.4.1 (General Objectives and Approach), in the second paragraph, delete the words “have been amended to” after the words “the Rules of each Division” in order to more clearly reflect the fact that the Wind-down of the Corporation Rules<sup>41</sup> were adopted.

27. In Section 8.4.2 (Critical Services and FMI Link Arrangements):

- In the paragraph under the heading “Clearing Banks(s),” delete the parenthetical “(assuming JPM has exited the business).”
- In the paragraph under the heading “Cross-Margining Agreement,” (a) in the third sentence, delete the word “transfer” and replace with “assignment” and (b) in the last sentence, delete the word “we” and replace it with “FICC.”

28. In Section 8.4.4 (Rules Adopted in Connection with the Wind-down Plan), in the first sentence under the heading “Certain Ex Ante Matters,” add the word “a” before the second instance of the word “Transferee.”

29. In proposed Section 8.6.1 (currently Section 8.6.2) (Recovery and Runway Period Actions), capitalize the word “chapter” in two places where “chapter 11” is not capitalized.

30. In Section 8.7 (Costs and Time to Effectuate Plan), (a) in the second sentence of the fifth paragraph, delete the word “of” between the words “detailed” and “analysis” and (b) at the end of the last sentence of this section, delete the phrase “, as provided in the Capital Requirements Policy.” As a result, under the proposed rule change, this sentence would state, “The estimated wind-down costs amount will be reviewed and approved by the Board annually.” Also, in the footnote in this section that refers to Section 5 of the Plan, correct the title of that section to state, “Member Default Losses through the Crisis Continuum.”

31. In Appendix 1 (Defined Terms), add each of the new defined terms based on the addition of such terms to the Plan, and delete the defined terms that were removed based on the deletion of these terms from the Plan.

## 2. Statutory Basis

FICC believes that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. In particular, FICC believes that the amendments to the R&W Plan are consistent with Section 17A(b)(3)(F) of the Act<sup>42</sup> and Rule 17Ad-22(e)(3)(ii) under the Act<sup>43</sup> for the reasons described below.

Section 17A(b)(3)(F) of the Act requires, in part, that the rules of FICC be designed to promote the prompt and accurate clearance and settlement of securities transactions.<sup>44</sup> The Recovery Plan serves to promote the prompt and accurate clearance and settlement of securities transactions by providing FICC with a roadmap for actions it may employ to mitigate losses, and monitor and, as needed, stabilize, FICC’s financial condition, which would allow it to continue its critical clearance and settlement services in stress situations. The Recovery Plan is designed to identify the actions and tools FICC may use to address and minimize losses to both FICC and its membership and provide FICC’s management and the Board with guidance in this regard by identifying the indicators and governance around the use and application of such tools to enable them to address stress situations in a manner most appropriate for the circumstances. Further, the Wind-down Plan establishes a framework for the transfer and orderly wind-down of FICC’s business, and establishes clear mechanisms for the transfer of FICC’s critical services and membership. By doing so, the Wind-down Plan is designed to facilitate the continuity of FICC’s critical services and enable Members and Limited Members to maintain access to FICC’s services through the transfer of its membership in the event FICC defaults or the Wind-down Plan is triggered by the Board.

As described above, the proposed rule change would update the R&W Plan to (i) reflect business and product developments, (ii) make certain clarifications, (iii) remove provisions covering certain “business-as-usual” actions, and (iv) make certain technical corrections. By helping to ensure that the R&W Plan reflects current business and product developments, and providing additional clarity regarding the framework for the transfer and orderly wind-down of FICC’s business, FICC believes that the proposed rule change would help it continue to

maintain the Plan in a manner that supports the continuity of FICC’s critical services and enables its Members and Limited Members to maintain access to FICC’s services through the transfer of its membership in the event FICC defaults or the Wind-down Plan is ever triggered by the Board. Further, by facilitating the continuity of its critical clearance and settlement services, FICC believes the Plan and the proposed rule change would continue to promote the prompt and accurate clearance and settlement of securities transactions. Therefore, FICC believes the proposed amendments to the R&W Plan are consistent with the requirements of Section 17A(b)(3)(F) of the Act.

Rule 17Ad-22(e)(3)(ii) under the Act requires FICC to establish, implement, maintain and enforce written policies and procedures reasonably designed to maintain a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, general business, investment, custody, and other risks that arise in or are borne by the covered clearing agency, which includes plans for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses.<sup>45</sup> The R&W Plan is designed to comply with Rule 17Ad-22(e)(3)(ii) and is consistent with the Act because it provides plans for the recovery and orderly wind-down of FICC necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses.

Specifically, the Recovery Plan defines the risk management activities, stress conditions and indicators, and tools that FICC may use to address stress scenarios that could eventually prevent it from being able to provide its critical services as a going concern. Through the framework of the Crisis Continuum, the Recovery Plan addresses measures that FICC may take to address risks of credit losses and liquidity shortfalls, and other losses that could arise from a Member default. The Recovery Plan also addresses the management of general business risks and other non-default risks that could lead to losses. The Wind-down Plan would be triggered by a determination by the Board that recovery efforts have not been, or are unlikely to be, successful in returning FICC to viability as a going concern. Once triggered, the Wind-down Plan sets forth clear mechanisms for the transfer of FICC’s membership and business, and is designed to facilitate

<sup>42</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>43</sup> 17 CFR 240.17Ad-22(e)(3)(ii).

<sup>44</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>45</sup> 17 CFR 240.17Ad-22(e)(3)(ii).

<sup>41</sup> *Supra* note 6.



continued access to FICC's critical services and to minimize market impact of the transfer. By establishing the framework and strategy for the execution of the transfer and wind-down of FICC in order to facilitate continuous access to its critical services, the Wind-down Plan establishes a plan for the orderly wind-down of FICC.

As described above, the proposed rule change would update the R&W Plan to (i) reflect business and product developments, (ii) make certain clarifications, (iii) remove provisions covering certain "business-as-usual" actions, and (iv) make certain technical corrections. By ensuring that material provisions of the Plan are current, clear, and technically correct, FICC believes that the proposed amendments are designed to support the maintenance of the Plan for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses, and, as such, meets the requirements of Rule 17Ad-22(e)(3)(ii) under the Act.<sup>46</sup> Therefore, the proposed changes would help FICC to maintain the Plan in a way that continues to be consistent with the requirements of Rule 17Ad-22(e)(3)(ii).

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

FICC does not believe that the proposed rule change would have any impact, or impose any burden, on competition. FICC does not anticipate that the proposal would affect its day-to-day operations under normal circumstances, or in the management of a typical Member default scenario or non-default event. The R&W Plan was developed and documented in order to satisfy applicable regulatory requirements, as discussed above. The proposal is intended to enhance and update the Plan to ensure it is clear and remains current in the event it is ever necessary to be implemented. The proposed revisions would not effect any changes to the overall structure or operation of the Plan or FICC's recovery and wind-down strategy as set forth under the current Plan. As such, FICC believes the proposal would not have any impact, or impose any burden, on competition.

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

FICC has not received or solicited any written comments relating to this proposal. FICC will notify the

Commission of any written comments received by FICC.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>47</sup> of the Act and paragraph (f)<sup>48</sup> of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

**IV. Solicitation of Comments**

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

*Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FICC-2021-002 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549. All submissions should refer to File Number SR-FICC-2021-002. 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 (<http://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 10:00 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 (<http://dtcc.com/legal/sec-rule-filings.aspx>). All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FICC-2021-002 and should be submitted on or before April 23, 2021.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>49</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

[FR Doc. 2021-06774 Filed 4-1-21; 8:45 am]

**BILLING CODE 8011-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-91428; File No. SR-NSCC-2021-004]

**Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Recovery & Wind-Down Plan**

March 29, 2021.

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 23, 2021, National Securities Clearing Corporation ("NSCC") 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. NSCC filed the proposed rule change pursuant to Section 19(b)(3)(A)<sup>3</sup> of the Act and Rule 19b-4(f)(4) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

<sup>49</sup> 17 CFR 200.30-3(a)(12).

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

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

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

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

<sup>46</sup> *Id.*

<sup>47</sup> 15 U.S.C 78s(b)(3)(A).

<sup>48</sup> 17 CFR 240.19b-4(f).