

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-101947; File No. SR-FICC-2024-012]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Clearing Fund Maintenance Fee of MBSD and GSD

December 17, 2024.

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 December 9, 2024, 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)(2) 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 FICC Mortgage-Backed Securities Division (“MBSD”) Clearing Rules (“MBSD Rules”) and Government Securities Division (“GSD”) Rulebook (“GSD Rules”) and together with the MBSD Rules, the “Rules”) in order to modify the respective Clearing Fund Maintenance Fee (“Maintenance Fee”) of GSD and MBSD, effective January 1, 2025, as described in greater detail below.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

FICC is proposing to amend the MBSD Rules and the GSD Rules to modify the respective Maintenance Fee of GSD and MBSD, effective January 1, 2025, as described in greater detail below.

(i) Background

FICC implemented the Maintenance Fee in 2016 in order to (i) diversify FICC’s revenue sources, mitigating its dependence on revenues driven by trading volumes, and (ii) add a stable revenue source that would contribute to FICC’s operating margin by offsetting increasing costs and expenses.⁶ The Maintenance Fees for MBSD and GSD are charged to MBSD Clearing Members and GSD Netting Members (collectively, “Members”) in proportion to the Member’s cash deposit in their respective MBSD or GSD Clearing Fund (collectively, “Clearing Fund”), as described below.

The Maintenance Fee is calculated monthly, in arrears, as the product of (A) 0.25% and (B) the average of the Member’s cash deposit balance in the Clearing Fund as of the end of each day, for the month, multiplied by the number of days in that month and divided by 360. FICC operates a cost plus low margin pricing model. Specifically, FICC’s fees are cost-based plus a markup or “low margin.”

(ii) Proposed Changes

Proposed Modification to the Maintenance Fee

As part of FICC’s annual pricing review process and budgeting for 2025, FICC identified opportunities to better align fees and costs for FICC and potentially diversify its liquidity resources. In furtherance of these objectives, FICC is proposing to change the current methodology of the Clearing Fund Maintenance Fee for both MBSD and GSD.

As currently calculated, the Maintenance Fee effectively disincentivizes Member’s from posting excess cash as part of a Members Required Fund Deposit by imposing a 0.25% fee on a Member’s cash deposit balance in the Clearing Fund. FICC is proposing to change the methodology of the Maintenance Fee to apply the fee to

the total Required Fund Deposit instead of the cash deposit balance.⁷ The proposed change would also reduce the Maintenance Fee percentage from 0.25% to 0.085%. This change will ideally remove the disincentive to Members posting excess cash in the Clearing Fund, resulting in an increase in cash deposits at FICC.

In addition, FICC continually evaluates the composition and sufficiency of its liquidity resources in line with its liquidity risk management strategy and objective. An increase in cash deposits to the clearing fund would result in additional liquidity resources for FICC, thereby improving FICC’s ability to manage its liquidity risks. Members would be required to continue depositing cash as part of its Required Fund Deposit, which is currently charged a 0.25% fee, however, pursuant to the proposed changes, FICC would now collect the Maintenance Fee, in a manner that does not disincentivize excess cash deposits and would continue to achieve the Maintenance Fee’s purpose of diversifying FICC’s liquidity sources and maintaining a stable revenue source that would contribute to FICC’s operating margins.

To effectuate the proposed fee change described above, for MBSD, the terms “0.25%” and “cash deposit balance” would be changed to “0.085%” and “Required Fund Deposit,” respectively, in (i) the Clearing Fund Maintenance Fee in Section I (Fees) of the Schedule of Charges Broker Account Group in the MBSD Rules, and (ii) the Clearing Fund Maintenance Fee of Section I (Fees) of the Schedule of Charges Dealer Account Group in the MBSD Rules. For GSD, the terms “0.25%” and “cash deposit balance” would be changed to “0.085%” and “Required Fund Deposit,” respectively, in Section XIII (Clearing Fund Maintenance Fee) of the Fee Structure in the GSD Rules.

Expected Member Impact

The proposed change is revenue neutral to FICC but not for FICC Members. Impact will vary across Members based on their risk profile and Required Fund Deposits. FICC projects that approximately 13% of Members will see a fee increase with only a small percentage of those Members seeing an increase over \$1 million, approximately 17% of Members seeing a fee reduction and 70% of Members remaining neutral.

⁷ The Maintenance Fee would not apply to amounts deposited as Segregated Customer Margin, which, under changes to the GSD Rules recently approved by the Commission, are separate from a Member’s Required Fund Deposit. See Securities Exchange Act Release No. 101695 (Nov. 21, 2024), 89 FR 93763 (Nov. 27, 2024) (SR-FICC-2024-007).

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)(2).

⁵ Capitalized terms not defined herein are defined in the GSD Rules and the MBSD Rules, as applicable, available at www.dtcc.com/legal/rules-and-procedures.

⁶ Securities Exchange Act Release No. 78529 (Aug. 10, 2016), 81 FR 54626 (Aug. 16, 2016) (SR-FICC-2016-004).

The proposed changes will take effect on January 1, 2025.

Member Outreach

FICC has conducted ongoing outreach to Members to provide them with notice of the proposed changes and the anticipated impact for the Member. As of the date of this filing, no written comments relating to the proposed changes have been received in response to this outreach. The Commission will be notified of any written comments received.

Implementation Timeframe

FICC would implement this proposal on January 1, 2025. As proposed, a legend would be added to the Rules stating there are changes that became effective upon filing with the Commission but have not yet been implemented. The proposed legend also would include the date on which such changes would be implemented and the file number of this proposal, and state that, once this proposal is implemented, the legend would automatically be removed.

2. Statutory Basis

FICC believes this proposal is consistent with the requirements of the Act, and the rules and regulations thereunder applicable to a registered clearing agency. Specifically, FICC believes the proposed changes to modify the respective Maintenance Fee of GSD and MBSD is consistent with Section 17A(b)(3)(D) of the Act⁸ and Rule 17ad-22(e)(23)(ii)⁹ thereunder, for the reasons described below.

Section 17A(b)(3)(D) of the Act requires that the rules of a clearing agency, such as FICC, provide for the equitable allocation of reasonable dues, fees, and other charges among its participants.¹⁰ FICC believes that the proposed changes to the Maintenance Fee are consistent with this provision of the Act.

FICC believes the fee would continue to be equitably allocated. More specifically, as mentioned above, the Maintenance Fee would be charged to all Members in proportion to the Member's total Required Fund Deposit. As such, and as is currently the case, Members that present greater risk to FICC would generally be subject to a larger Maintenance Fee because such Member would typically be required to maintain a larger Clearing Fund deposit pursuant to the respective MBSD Rules

or GSD Rules.¹¹ Conversely, Members that present less risk to FICC would generally be subject to a smaller Maintenance Fee because such Members would typically be required to maintain a smaller Clearing Fund deposit pursuant to the respective MBSD Rules or GSD Rules.¹² For this reason, FICC believes the Maintenance Fee would continue to be equitably allocated among Members.

FICC also believes the fee is reasonable because, as discussed above, the proposed fee change would remove an unnecessary disincentive for Members to post more cash as part of their Clearing Fund by modifying the Maintenance Fee to base the fee on the total Required Fund Deposit rather than basing it on the cash component only. By removing this disincentive, FICC believes Members may post more cash as part of their Required Total Fund Deposit, providing FICC with access to additional liquid resources. For this reason, FICC believes the Maintenance Fee would continue to be reasonable. Based on the foregoing, FICC believes the proposed rule change is consistent with Section 17A(b)(3)(D) of the Act.¹³

Rule 17ad-22(e)(23)(ii) under the Act requires FICC to establish, implement, maintain and enforce written policies and procedures reasonably designed to provide sufficient information to enable participants to identify and evaluate the risks, fees, and other material costs they incur by participating in the covered clearing agency. The proposed fees would be clearly and transparently published in Section I (Fees) of the Schedule of Charges Broker Account Group in the MBSD Rules, Section I (Fees) of the Schedule of Charges Dealer Account Group in the MBSD Rules, and Section XIII (Clearing Fund Maintenance Fee) of the Fee Structure in the GSD Rules, which are available on a public website,¹⁴ thereby enabling Members to identify the fees and costs associated with participating in FICC. As such, FICC believes the proposed rule change is consistent with Rule 17ad-22(e)(23)(ii) under the Act.¹⁵

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

FICC believes that although Members may experience some impact from the proposed rule change to modify the Maintenance Fee calculation, FICC does not believe that the proposed rule

change would impose a burden on competition among its Members that is not necessary or appropriate in furtherance of the purposes of the Act.¹⁶ As described above, the Maintenance Fee is charged ratably based on the risk that each Member brings to FICC, as reflected in Members' total Required Fund Deposit. Thus, the fee is designed to be reflective of each Member's individual activity at FICC.

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

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

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

All prospective commenters should follow the Commission's instructions on how to submit comments, *available at* www.sec.gov/regulatory-actions/how-to-submit-comments. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the 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)¹⁷ of the Act and paragraph (f)¹⁸ 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,

¹¹ See Rule 4, GSD Rules and Rule 4, MBSD Rules, *supra* note 5.

¹² *Id.*

¹³ 15 U.S.C. 78q-1(b)(3)(D).

¹⁴ See *supra* note 5.

¹⁵ 17 CFR 240.17ad-22(e)(23)(ii).

¹⁶ 15 U.S.C. 78q-1(b)(3)(D).

¹⁷ 15 U.S.C. 78s(b)(3)(A).

¹⁸ 17 CFR 240.19b-4(f).

⁸ 15 U.S.C. 78q-1(b)(3)(D).

⁹ 17 CFR 17ad-22(e)(23)(ii).

¹⁰ 15 U.S.C. 78q-1(b)(3)(D).

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 email to rule-comments@sec.gov. Please include File Number SR-FICC-2024-012 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-2024-012. 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 (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 (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-2024-012 and should be submitted on or before January 13, 2025.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁹

Sherry R. Haywood,
Assistant Secretary.

[FR Doc. 2024-30520 Filed 12-20-24; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[SEC File No. 270-425, OMB Control No. 3235-0468]

Proposed Collection; Comment Request; Reinstatement Without Change: Rule 10A-1

Upon Written Request, Copies Available From: Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549-2736

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 ("PRA") (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission ("Commission") is soliciting comments on the collection of information provided for in Rule 10A-1 (17 CFR 240.10A-1), under the Securities Exchange Act of 1934 ("Act") (15 U.S.C. 78a *et seq.*). The Commission plans to submit this existing collection of information to the Office of Management and Budget ("OMB") for reinstatement and approval.

Rule 10A-1 (17 CFR 240.10A-1) implements the reporting requirements in Section 10A of the Exchange Act (15 U.S.C. 78j-1) which was enacted by Congress on December 22, 1995 as part of the Private Securities Litigation Reform Act of 1995, Public Law 104-67, 109 Stat 737. Under section 10A and Rule 10A-1, reporting occurs only if a registrant's board of directors receives a report from its auditor that (1) there is an illegal act material to the registrant's financial statements, (2) senior management and the board have not taken timely and appropriate remedial action, and (3) the failure to take such action is reasonably expected to warrant the auditor's modification of the audit report or resignation from the audit engagement. The board of directors must notify the Commission within one business day of receiving such a report. If the board fails to provide that notice, then the auditor, within the next business day, must provide the Commission with a copy of the report that it gave to the board.

Likely respondents are those registrants filing audited financial statements under the Securities

Exchange Act of 1934 (15 U.S.C. 78a, *et seq.*) and the Investment Company Act of 1940 (15 U.S.C. 80a-1, *et seq.*).

This information collection requirement was previously approved by OMB, but the approval expired on June 30, 2021. Accordingly, the Commission will request a reinstatement of OMB's approval.

It is estimated that Rule 10A-1 results in an aggregate additional reporting burden of 5 hours per year. The estimated average burden hours are solely for purposes of the Paperwork Reduction Act and are not derived from a comprehensive or even a representative survey or study of the costs of SEC rules or forms.

Written comments are invited on: (a) whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility; (b) the accuracy of the agency's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

Please direct your written comments to Austin Gerig, Director/Chief Data Officer, Securities and Exchange Commission, c/o Tanya Ruttenberg, 100 F Street NE, Washington, DC 20549 or send an email to: PRA_Mailbox@sec.gov.

Dated: December 17, 2024.

Sherry R. Haywood,
Assistant Secretary.

[FR Doc. 2024-30495 Filed 12-20-24; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-101941; File No. SR-Phlx-2024-69]

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Options 7, Section 9

December 17, 2024.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

¹⁹ 17 CFR 200.30-3(a)(12).