commenter.[115] In their letters, the sole commenter seeks to incorporate comments submitted on previous Exchange proposals to which the Exchange has previously responded. To the extent the sole commenter has attempted to raise new issues in its letters, the Exchange believes those issues are not germane to this proposal in particular, but rather raise larger issues with the current environment surrounding exchange non-transaction fee proposals that should be addressed by the Commission through rule making, or Congress, more holistically and not through an individual exchange fee filings. Among other things, the commenter is requesting additional data and information that is both opaque and a moving target and would constitute a level of disclosure materially over and above that provided by any competitor exchanges.

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)(ii) of the Act,[116] and Rule 19b–4(f)(2)[117] 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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule 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 (*https://www.sec.gov/rules/sro.shtml*); or
- Send an email to *rule-comments@sec.gov.* Please include file number SR–PEARL–2023–36 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–PEARL–2023–36. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (*https://www.sec.gov/rules/sro.shtml*). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. 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–PEARL–2023–36 and should be submitted on or before September 14, 2023.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[118]

Sherry R. Haywood,

Assistant Secretary.

[FR Doc. 2023–18191 Filed 8–23–23; 8:45 am]

BILLING CODE 8011–01–P

[115] *See* letter from Brian Sopinsky, General Counsel, Susquehanna International Group, LLP (''SIG''), to Vanessa Countryman, Secretary, Commission, dated February 7, 2023 *and* letters from Gerald D. O'Connell, SIG, to Vanessa Countryman, Secretary, Commission, dated March 21, 2023 and July 24, 2023.

[116] 15 U.S.C. 78s(b)(3)(A)(ii).

[117] 17 CFR 240.19b–4(f)(2).

[118] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–98163; File No. SR–FICC–2023–012]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to the Margin Liquidity Adjustment Charge

August 18, 2023.

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 August 3, 2023, Fixed Income Clearing Corporation (''FICC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change consists of modifications to FICC's Government Securities Division (''GSD'') Rulebook (''GSD Rules'') and Mortgage-Backed Securities Division (''MBSD'') Clearing Rules (''MBSD Rules,'' and collectively with the GSD Rules, the ''Rules'')[3] in order to (1) enhance the calculation of the Margin Liquidity Adjustment Charge (''MLA Charge'') in the GSD Rules for Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members, (2) revise the language in the GSD Rules and MBSD Rules describing the asset groups/subgroups used in the calculation of the MLA Charge at GSD and MBSD, respectively, and (3) clarify the language in the GSD Rules and MBSD Rules describing the calculation of the MLA Charge at GSD and MBSD, as well as make technical changes in the GSD Rules, each 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

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] Terms not defined herein are defined in the GSD Rules and MBSD Rules, as applicable, *available at www.dtcc.com/legal/rules-and-procedures.*

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

There are three primary components of this proposed rule change. First, FICC is proposing to enhance the calculation of the MLA Charge at GSD for Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members. Second, FICC is proposing to revise the language in the GSD Rules and MBSD Rules describing the asset groups/subgroups used in FICC's calculation of the MLA Charge at GSD and MBSD, respectively. Third, FICC is proposing to clarify the language in the GSD Rules and MBSD Rules describing the calculation of the MLA Charge at GSD and MBSD, as well as make technical changes in the GSD Rules.

When a Sponsored Member clears through multiple accounts sponsored by multiple Sponsoring Members at GSD, FICC may charge an MLA Excess Amount in addition to the MLA Charge. The MLA Excess Amount is being charged by FICC in order to address any market impact cost that could incur when such Sponsored Member defaults, and each of its Sponsoring Members, in its capacity as the Sponsored Member's guarantor, liquidates net unsettled positions associated with the defaulted Sponsored Member.

FICC currently allocates the MLA Excess Amount across each Sponsoring Member of the Sponsored Member using a market volatility risk-weighted allocation methodology. In order to better align with the position concentration risks arising from Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members, FICC is proposing to enhance its calculation of the MLA Charge for such Sponsored Members.

In addition, FICC is proposing to revise the language in the GSD Rules and MBSD Rules describing the asset groups/subgroups used in FICC's calculation of the MLA Charge at GSD and MBSD, respectively. This proposed change would enable FICC to calculate the MLA Charge at GSD and MBSD using a schedule of asset groups and subgroups that FICC would set and adjust from time to time, rather than as codified in the GSD Rules and MBSD Rules in the manner the asset groups and/or subgroups are today.

Finally, FICC is proposing to modify certain language in the GSD Rules and MBSD Rules to make it clearer as to how the MLA Charge is calculated at GSD and MBSD, as well as make a technical change in the GSD Rules.

(i) Overview of the Required Fund Deposit and the Clearing Fund

FICC, through GSD and MBSD, serves as a central counterparty and provider of clearance and settlement services for transactions in the U.S. government securities and mortgage-backed securities markets.[4] As part of its market risk management strategy, FICC manages its credit exposure to Members by determining the appropriate Required Fund Deposit to the Clearing Fund and monitoring its sufficiency, as provided for in the GSD Rules and MBSD Rules.[5] The Required Fund Deposit serves as each Member's margin. The objective of a Member's Required Fund Deposit is to mitigate potential losses to FICC associated with liquidating a Member's portfolio in the event FICC ceases to act for that Member (hereinafter referred to as a ''default'').[6] The aggregate of all Members' Required Fund Deposits constitutes the Clearing Fund. FICC would access the Clearing Fund should a defaulting Member's own Required Fund Deposit be insufficient to satisfy losses to FICC caused by the liquidation of that Member's portfolio.

Pursuant to the GSD Rules and MBSD Rules, each Member's Required Fund Deposit amount consists of a number of applicable components, each of which is calculated to address specific risks faced by FICC, as identified within the GSD Rules and MBSD Rules.[7] One of these components is the MLA Charge, which is designed to address the risk presented to FICC when a Member's portfolio contains large net unsettled positions in a particular group of securities with a similar risk profile or in a particular transaction type (referred to herein as ''asset groups'').[8]

(ii) Overview of the MLA Charge

Upon a Member default, GSD Rule 22A (Procedures for When the Corporation Ceases to Act) and MBSD Rule 17 (Procedures for When the Corporation Ceases to Act) each provides FICC with the authority to promptly close out and manage the positions of the defaulted Member and to apply the defaulted Member's collateral. The process of closing out the net unsettled positions of a defaulted Member typically involves effecting market purchases and sales; that is, buying in securities the defaulted Member was obligated to deliver to FICC, and selling out securities the defaulted Member was obligated to receive from FICC and pay for, or otherwise liquidating the position.

FICC may face increased transaction costs when it liquidates the net unsettled positions of a defaulted Member due to the unique characteristics of that Member's portfolio. The transaction costs to FICC to liquidate a defaulted Member's portfolio include market impact costs. Market impact costs are the costs due to the marketability of a security, and generally increase when a portfolio contains large net unsettled positions in a particular group of securities with a similar risk profile or in a particular transaction type. The MLA Charge is specifically designed to address this risk.

The MLA Charge is designed to address the market impact costs of liquidating a defaulted Member's portfolio that may increase when that portfolio includes large net unsettled positions in a particular group of securities with a similar risk profile or in a particular transaction type. These positions may be more difficult to liquidate because a concentration in that group of securities or in a transaction type could reduce the marketability of those large net unsettled positions. Therefore, such portfolios create a risk that FICC may face increased market impact cost to liquidate that portfolio in the assumed margin period of risk of three Business Days at market prices.

The MLA Charge is calculated to address this increased market impact cost by assessing sufficient margin to mitigate this risk. The MLA Charge is calculated for different asset groups.

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

[5] *See* GSD Rule 4 (Clearing Fund and Loss Allocation) and MBSD Rule 4 (Clearing Fund and Loss Allocation), *supra* note 3. FICC's market risk management strategy is designed to comply with Rule 17Ad–22(e)(4) under the Act, where these risks are referred to as ''credit risks.'' 17 CFR 240.17Ad–22(e)(4).

[6] The GSD Rules and MBSD Rules identify when FICC may cease to act for a Member and the types of actions FICC may take. For example, FICC may suspend a firm's membership with FICC, or prohibit or limit a Member's access to FICC's services, in the event that Member defaults on a financial or other obligation to FICC. *See* GSD Rule 21 (Restrictions on Access to Services) and MBSD Rule 14 (Restrictions on Access to Services), *supra* note 3.

[7] *Supra* note 3.

[8] With respect to GSD, references herein to ''net unsettled positions'' refer to Net Unsettled Positions, as such term is defined in GSD Rule 1 (Definitions). *Supra* note 3.

Essentially, the calculation is designed to compare the total market value of net unsettled positions in a particular asset group, which FICC would be required to liquidate in the event of a Member default, to the available trading volume of that asset group or equities subgroup in the market.[9] If the market value of the net unsettled positions in an asset group is large, as compared to the available trading volume of that asset group, then there is an increased risk that FICC would face additional market impact cost in liquidating those positions in the event of a Member default. Therefore, the calculation provides FICC with a measurement of the possible increased market impact cost that FICC could face when it liquidates large net unsettled positions in a particular asset group.

To calculate the MLA Charge, FICC categorizes securities into one or more asset groups.[10] At GSD, those asset groups currently include the following, each of which have similar risk profiles: (a) U.S. Treasury securities, which are further categorized by maturity—those maturing in (i) less than one year, (ii) equal to or more than one year and less than two years, (iii) equal to or more than two years and less than five years, (iv) equal to or more than five years and less than ten years, and (v) equal to or more than ten years; (b) Treasury-Inflation Protected Securities (''TIPS''), which are further categorized by maturity—those maturing in (i) less than two years, (ii) equal to or more than two years and less than six years, (iii) equal to or more than six years and less than eleven years, and (iv) equal to or more than eleven years; (c) U.S. agency bonds; and (d) mortgage pools transactions. At MBSD, there is currently one mortgage-backed securities asset group.

FICC first calculates a measurement of market impact cost with respect to the net unsettled positions of a Member in each of these asset groups. To determine the market impact cost for net unsettled positions in Treasuries maturing less than one year and TIPS at GSD, FICC uses the directional market impact cost, which is a function of the net unsettled positions' net directional market value.[11] To determine the market impact cost for all other net unsettled positions at GSD and MBSD, FICC adds together two components: (1) the directional market impact cost, as described above, and (2) the basis cost, which is based on the net unsettled positions' gross market value.[12]

The calculation of market impact cost for net unsettled positions in Treasuries maturing less than one year and TIPS does not include basis cost because basis risk is negligible for these types of positions. For all asset groups, when determining the market impact cost at GSD and MBSD, the net directional market value and the gross market value of the net unsettled positions are divided by the average daily volumes of the securities in that asset group over a lookback period.[13]

FICC then compares the calculated market impact cost to a portion of the VaR Charge that is allocated to net unsettled positions in those asset groups.[14] If the ratio of the calculated market impact cost to a portion of the VaR Charge is greater than a prescribed threshold, an MLA Charge is applied to that asset group.[15] If the ratio of these two amounts is equal to or less than this threshold, an MLA Charge is not applied to that asset group. The threshold is based on an estimate of the market impact cost that is incorporated into the calculation of the 1-day VaR Charge, such that an MLA Charge is applied only when the calculated market impact cost exceeds this prescribed threshold. In addition, FICC may apply a downward adjusting scaling factor in the calculation of the MLA Charge based on the ratio of the calculated market impact cost to the 1-day VaR Charge.

For each Member portfolio, FICC adds the MLA Charges for each asset group, as applicable, to determine a total MLA Charge for the Member portfolio. The final MLA charge is calculated daily and, when the charge is applicable, as described above, is included as a component of Members' Required Fund Deposits.

MLA Excess Amount for Sponsored Members

At GSD, the calculation of the MLA Charge for a Sponsored Member that clears through a single account sponsored by a single Sponsoring Member is the same as described above. For a Sponsored Member that clears through multiple accounts sponsored by multiple Sponsoring Members, in addition to calculating an MLA Charge for each account as described above, FICC also calculates an MLA Charge for the combined net unsettled positions of the Sponsored Member across all of its Sponsoring Members (herein referred to as the ''consolidated portfolio'').

Currently, if the MLA Charge of the consolidated portfolio is higher than the sum of all MLA Charges for each account of the Sponsored Member, the amount of such difference, referred to as the ''MLA Excess Amount,'' would be charged in addition to the applicable MLA Charge. If the MLA Charge of the consolidated portfolio is not higher than the sum of all MLA Charges for each account of the Sponsored Member, then only an MLA Charge for each of the Sponsored Member's accounts, as applicable, would be charged.

The MLA Excess Amount is designed to capture the additional market impact cost that could be incurred when a Sponsored Member defaults, and each of its Sponsoring Members, in its capacity as the Sponsored Member's guarantor, liquidates net unsettled positions associated with that defaulted Sponsored Member. If large net unsettled positions in the same asset group are being liquidated by multiple Sponsoring Members, the market impact cost to liquidate those positions could increase. The MLA Excess Amount addresses this additional market impact cost by capturing any difference between the calculations of the MLA Charge for each of the Sponsored Member's accounts and for the consolidated portfolio. The MLA Excess Amount for a Sponsored Member is currently allocated across each of its

[9] FICC determines average daily trading volume by reviewing data that is made publicly available by the Securities Industry and Financial Markets Association (''SIFMA''), *at https://www.sifma.org/resources/archive/research/statistics.*

[10] *See* the definition of Margin Liquidity Adjustment Charge in GSD Rule 1 (Definitions) and MBSD Rule 1 (Definitions). *Supra* note 3.

[11] The net directional market value of an asset group within a portfolio is calculated as the absolute difference between the market value of the long net unsettled positions in that asset group, and the market value of the short net unsettled positions in that asset group. For example, if the market value of the long net unsettled positions is $100,000, and the market value of the short net unsettled positions is $150,000, the net directional market value of the asset group is $50,000.

[12] To determine the gross market value of the net unsettled positions in each asset group, FICC sums the absolute value of each CUISP in the asset group.

[13] *Supra* note 9.

[14] FICC's margining methodology uses a three-day assumed period of risk. For purposes of this calculation, FICC uses a portion of the VaR Charge that is based on a one-day assumed period of risk and calculated by applying a simple square-root of time scaling, referred to herein as ''1-day VaR Charge.'' Any changes that FICC deems appropriate to this assumed period of risk would be subject to FICC's model risk management governance procedures set forth in the Clearing Agency Model Risk Management Framework (''Model Risk Management Framework''). *See* Securities Exchange Act Release Nos. 81485 (Aug. 25, 2017), 82 FR 41433 (Aug. 31, 2017) (SR–FICC–2017–014); 84458 (Oct. 19, 2018), 83 FR 53925 (Oct. 25, 2018) (SR–FICC–2018–010); 88911 (May 20, 2020), 85 FR 31828 (May 27, 2020) (SR–FICC–2020–004); 92380 (July 13, 2021), 86 FR 38140 (July 19, 2021) (SR–FICC–2021–006); 94271 (Feb. 17, 2022), 87 FR 10411 (Feb. 24, 2022) (SR–FICC–2022–001); and 97890 (July 13, 2023), 88 FR 46287 (July 19, 2023) (SR–FICC–2023–008).

[15] FICC reviews the method for calculating the thresholds from time to time and any changes that FICC deems appropriate would be subject to FICC's model risk management governance procedures set forth in the Model Risk Management Framework. *See id.*

Sponsoring Members using a market volatility risk-weighted allocation methodology.

FICC is proposing to revise how GSD calculates the MLA Charge for Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members in order to better align with the market impact cost arising from position concentration of the Sponsored Member's respective Sponsored Member accounts. As proposed, those Sponsored Member's accounts with higher relative market impact cost and a lower relative VaR Charge would be apportioned a higher amount of the additional market impact cost than those Sponsored Member's accounts with lower relative market impact cost and a higher relative VaR Charge.

In light of the proposal to enhance GSD's calculation of the MLA Charge for Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members, FICC has determined it is appropriate to eliminate the MLA Excess Amount from the GSD Rules. This is because the market impact cost that the MLA Excess Amount is designed to address would now be mitigated by the proposed enhancement to the MLA Charge.

Asset Groups/Subgroups Used in the MLA Charge Calculation

As described above, to calculate the MLA Charge, FICC categorizes securities into one or more asset groups. Those asset groups, as currently codified in the GSD Rules,[16] include the following, each of which have similar risk profiles: (a) U.S. Treasury securities, which are further categorized by maturity—those maturing in (i) less than one year, (ii) equal to or more than one year and less than two years, (iii) equal to or more than two years and less than five years, (iv) equal to or more than five years and less than ten years, and (v) equal to or more than ten years; (b) Treasury-Inflation Protected Securities (''TIPS''), which are further categorized by maturity—those maturing in (i) less than two years, (ii) equal to or more than two years and less than six years, (iii) equal to or more than six years and less than eleven years, and (iv) equal to or more than eleven years; (c) U.S. agency bonds; and (d) mortgage pools transactions. There is one mortgage-backed securities asset group as currently codified in the MBSD Rules.[17]

FICC is proposing to revise the language in the GSD Rules and MBSD Rules describing the asset groups and/or subgroups used in its calculation of the MLA Charge at GSD and MBSD. This proposed change would enable FICC to calculate the MLA Charge at GSD and MBSD using an applicable schedule of asset groupings that FICC would set and adjust from time to time, rather than as codified in the GSD Rules and MBSD Rules in the manner they are today.

Clarifying and Technical Changes

Finally, FICC is proposing to modify certain language in the GSD Rules and MBSD Rules to make it clearer as to how the MLA Charge is calculated at GSD and MBSD, as well as make technical changes in the GSD Rules.

Specifically, FICC is proposing changes that would make it clearer that, for the purpose of determining the amount of MLA Charge at GSD and MBSD, the MLA Charge is first calculated for each asset group/subgroup and then added together to result in one MLA Charge for each Member portfolio. FICC is also proposing changes that would reflect the calculation of market impact cost is performed for combined net unsettled positions in each asset group/subgroup, not for each net unsettled position. Similarly, FICC is proposing changes to make it clearer that the associated VaR Charge allocation is also performed for each asset group/subgroup, not for each net unsettled position.

FICC is also proposing technical changes to reflect correct term usage in the GSD Rules.

(iii) Proposed Changes

Enhancing the MLA Charge Calculation at GSD for Sponsored Members that Clear Through Multiple Accounts Sponsored by Multiple Sponsoring Members

For a Sponsored Member that clears through multiple accounts sponsored by multiple Sponsoring Members, in lieu of charging an MLA Excess Amount in addition to the applicable MLA Charge, FICC is proposing to enhance GSD's calculation of the MLA Charge for such Sponsored Member in order to better align with the additional market impact cost that could be incurred when the Sponsored Member defaults, and each of its Sponsoring Members, in its capacity as the Sponsored Member's guarantor, liquidates the defaulted Sponsored Member's large net unsettled positions in the same asset group.

Specifically, FICC is proposing that when a Sponsored Member clears through multiple accounts sponsored by multiple Sponsoring Members, for each such account, GSD would calculate an MLA Charge both (1) for each asset group/subgroup in the account on a standalone basis, as described above, and (2) for each asset group/subgroup in the account as part of a consolidated portfolio, as described below, with the higher amount applied as the MLA Charge for the relevant asset group/subgroup.

When calculating the MLA Charge for each asset group/subgroup in the account as part of a consolidated portfolio, GSD would first calculate the market impact cost for each asset group/subgroup based on the aggregate net unsettled positions of that asset group/subgroup in the consolidated portfolio. The calculated market impact cost for each asset group/subgroup would then be allocated to each asset group/subgroup in each account of the Sponsored Member on a pro rata basis based on the market impact cost of that asset group/subgroup in the account.

The allocated market impact cost for an asset group/subgroup would then be compared to a portion of the VaR Charge that is allocated to that asset group/subgroup in the account. If the ratio of the allocated market impact cost to a portion of the VaR Charge is greater than a prescribed threshold, as determined by FICC from time to time, there would be an MLA Charge for that asset group/subgroup. If the ratio of the two amounts is equal to or less than this threshold, then there would not be an MLA Charge for that asset group/subgroup. As described above and in further detail in Exhibit 3b to this filing (DTCC Model Development Documentation—FICC Market Liquidity Adjustment Model and Bid-ask Charge Model) (''MLA Model Document''),[18] the threshold is currently determined by an optimization process based on the ratio of an estimate of the market impact cost to the 1-day VaR Charge and would remain so with respect to the changes made in accordance with this proposal.[19]

When applicable, the MLA Charge for each asset group/subgroup in the account as part of the consolidated portfolio would be calculated as a proportion of the product of (1) the amount by which the ratio of the allocated market impact cost for the asset group/subgroup to the portion of the VaR Charge allocated to that asset group/subgroup exceeds the prescribed

[16] *See* the definition of Margin Liquidity Adjustment Charge in GSD Rule 1 (Definitions). *Supra* note 3.

[17] *See* the definition of Margin Liquidity Adjustment Charge in MBSD Rule 1 (Definitions). *Supra* note 3.

[18] FICC is requesting confidential treatment of the MLA Model Document and has filed it separately with the Commission.

[19] *Supra* note 15.

threshold, and (2) a portion of the VaR Charge allocated to that asset group/ subgroup.

As stated above, GSD would then compare the MLA Charge for each asset group/subgroup in the account on a standalone basis against the MLA Charge for each asset group/subgroup in the account as part of a consolidated portfolio. The higher of the two amounts would be applied as the MLA Charge for the asset group. The applicable MLA Charges for each asset group/subgroup would be added together to result in one total MLA Charge for that account of the Sponsored Member.

To implement the proposal as described above, FICC would amend GSD Rule 1 (Definitions) to modify the description of the MLA Charge. FICC would also amend GSD Rule 1 to remove MLA Excess Amount as it would no longer be needed under the proposal.

Revise Asset Groups/Subgroups Language in the GSD Rules and MBSD Rules

When calculating the MLA Charge at GSD and MBSD, it is important to have Members' net unsettled positions with similar risk profiles placed in the same group or category so that market impact cost to each asset group or category can be properly measured. However, the risk profiles of positions may shift from time to time due to changes in market conditions, and such shift in risk profiles may require FICC to set and adjust the asset groupings from time to time in order to reflect these changes. Because the various groupings used in the calculation of the MLA Charge are currently codified in the GSD Rules and MBSD Rules, any changes to the groupings would require the filing of a proposed rule change with the Commission.

In order to provide FICC with more flexibility in setting and adjusting the groupings from time to time,[20] FICC is proposing to remove from the GSD Rules references to specific maturity groupings used in FICC's calculation of the MLA Charge. In addition, in order to better reflect the different risk profiles of the mortgage pools/mortgage-backed securities asset groups, FICC is proposing to add language in the GSD Rules and MBSD Rules that would provide mortgage pools/mortgage-backed securities asset groups may be further categorized into subgroups by mortgage pool types. In place thereof, FICC would publish on its website schedules of asset groups and subgroups used in the calculation of the MLA Charge for GSD and MBSD, respectively.

Specifically, FICC is proposing to revise the MLA Charge definition in GSD Rule 1 (Definitions) to provide that for the purpose of calculating the MLA Charge at GSD, a Member's net unsettled positions shall be categorized into (a) U.S. Treasury securities, which shall be further categorized into subgroups by maturity; (b) Treasury-Inflation Protected Securities (''TIPS''), which shall be further categorized into subgroups by maturity; (c) U.S. agency bonds; and (d) mortgage pools, which may be further categorized into subgroups by mortgage pool types.

FICC is also proposing to revise the MLA Charge definition in MBSD Rule 1 (Definitions) to provide that for the purpose of calculating the MLA Charge at MBSD, a Member's net unsettled positions in TBA transactions, Specified Pool Trades and Stipulated Trades shall be included in one mortgage-backed securities asset group, which may be further categorized into subgroups by mortgage pool types.

In addition, in both GSD Rule 1 and MBSD Rule 1, FICC is proposing to revise the MLA Charge definition to state (i) the asset groups and subgroups shall be set forth in a schedule that is published on FICC's website, (ii) it shall be the Member's responsibility to retrieve the schedule, and (iii) FICC would provide Members with at a minimum 5 Business Days' advance notice of any change to the schedule via an Important Notice.

Clarifying and Technical Changes

FICC is proposing to modify certain language in the GSD Rules and MBSD Rules to make it clearer as to how the MLA Charge is calculated at GSD and MBSD. Specifically, FICC is proposing changes to the definition of ''Margin Liquidity Adjustment Charge'' in GSD Rule 1 (Definitions) and MBSD Rule 1 (Definitions) that would make it clearer that, for the purpose of determining the amount of MLA Charge at GSD and MBSD, the MLA Charge is first calculated for each asset group/ subgroup and then added together to result in one MLA Charge for each Member portfolio. FICC is also proposing changes that would reflect the calculation of market impact cost is performed for combined net unsettled positions in each asset group/subgroup, not for each net unsettled position. Similarly, FICC is proposing changes to make it clearer that the associated VaR Charge allocation is also performed for each asset group/subgroup, not for each net unsettled position.

In addition, FICC is proposing technical changes to reflect correct term usage in the GSD Rules. Specifically, FICC is proposing to modify the definition of Margin Liquidity Adjustment Charge in GSD Rule 1 (Definitions) by (i) deleting the reference to ''mortgage pools transactions'' and replacing it with ''mortgage pools'' and (ii) deleting ''MLA charge'' and replacing it with ''MLA Charge'' in two places.

Impact Study

FICC conducted an impact study for the period from October 19, 2020 through October 31, 2022 (''Impact Study''). The results of the Impact Study indicate that, if the proposed enhancements to the MLA Charge calculation had been in place for Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members, the enhancements would have resulted in an average daily change of $9.47 million in the aggregate MLA Charge for the impacted Sponsored Members (approximately 1.18% of the impacted Sponsored Members' average daily aggregate VaR Charge and 0.20% of the Sponsoring Members' average daily aggregate VaR Charge). The largest daily increase in the aggregate MLA Charge for the impacted Sponsored Members would be $31.44 million (approximately 2.86% of the impacted Sponsored Members' aggregate VaR Charge and 0.57% of the Sponsoring Members' aggregate VaR Charge).

Implementation Timeframe

Subject to approval by the Commission, FICC expects to implement this proposal by no later than 60 Business Days after such approval and would announce the effective date of the proposed changes by an Important Notice posted to FICC's website.

2. Statutory Basis

FICC believes the proposed changes are 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 proposed rule change is consistent with section 17A(b)(3)(F) of the Act,[21] and Rules 17Ad–22(e)(6)(i) and (e)(19), each promulgated under the Act,[22] for the reasons described below.

Section 17A(b)(3)(F) of the Act requires, in part, that the rules of a

[20] FICC reviews the asset groupings from time to time and any changes that FICC deems appropriate would be subject to FICC's model risk management governance procedures set forth in the Model Risk Management Framework. *See supra* note 14.

[21] 15 U.S.C. 78q–1(b)(3)(F).

[22] 17 CFR 240.17Ad–22(e)(6)(i) and (e)(19).

clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, and assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.[23] FICC believes that the proposed changes described are designed to promote the prompt and accurate clearance and settlement of securities transactions, and assure the safeguarding of securities and funds which are in the custody or control of FICC or for which it is responsible, consistent with section 17A(b)(3)(F) of the Act.[24]

As described above, the proposed changes to enhance the MLA Charge calculation at GSD for Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members are designed to enable FICC to better align the MLA Charge with the risks arising from position concentration of such Sponsored Members. Better aligning the MLA Charge with such risk would help ensure that FICC collects MLA Charges from the Sponsoring Members of these Sponsored Members that are commensurate with the additional market impact cost that could be incurred when such a Sponsored Member defaults, and each of its Sponsoring Members, in its capacity as the Sponsored Member's guarantor, liquidates the defaulted Sponsored Member's large net unsettled positions in the same asset grouping so that FICC's operations would not be disrupted, and non-defaulting Members would not be exposed to losses they cannot anticipate or control. In this way, the proposed rule change to enhance the MLA Charge calculation at GSD for Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members would assure the safeguarding of securities and funds which are in the custody and control of FICC or for which it is responsible, consistent with section 17A(b)(3)(F) of the Act.[25]

FICC believes the proposed changes to revise the asset group/subgroup language in the Rules would provide FICC with more flexibility in setting and adjusting the asset groupings used in the calculation of the MLA Charge at GSD and MBSD because such adjustments would no longer require a rule change.[26] By being able to make adjustments to the asset groupings from time to time without a rule change, FICC would have the flexibility to respond to changes in the risk profile of Members' positions more promptly. FICC believes that having this additional flexibility to respond to changing risk profiles of Members' positions more promptly would help better ensure that FICC collects MLA Charges from Members that are commensurate with the risk exposure that FICC may face in liquidating Members' portfolios such that, in the event of a Member default, FICC's operations would not be disrupted, and non-defaulting Members would not be exposed to losses they cannot anticipate or control. In this way, the proposed rule change to revise the asset group/subgroup language in the Rules would assure the safeguarding of securities and funds which are in the custody and control of FICC or for which it is responsible, consistent with section 17A(b)(3)(F) of the Act.[27]

In addition, FICC believes the proposed clarifying and technical changes would help to ensure that the GSD Rules and MBSD Rules are clear to Members. When Members better understand their rights and obligations regarding the GSD Rules and MBSD Rules, Members are more likely to act in accordance with the GSD Rules and MBSD Rules, which FICC believes would promote the prompt and accurate clearance and settlement of securities transactions. As such, FICC believes that the proposed clarifying and technical changes would be consistent with section 17A(b)(3)(F) of the Act.[28]

Rule 17Ad–22(e)(6)(i) under the Act[29] requires a covered clearing agency to establish, implement, maintain and enforce written policies and procedures reasonably designed to cover, if the covered clearing agency provides central counterparty services, its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market. FICC believes that the proposed changes are consistent with the requirements of Rule 17Ad–22(e)(6)(i).[30]

Specifically, the proposed changes to enhance the MLA Charge calculation at GSD for Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members are designed to enable FICC to better align the MLA Charge with the risks arising from position concentration of such Sponsored Members. Better aligning the MLA Charge with such risk would enable FICC to better risk manage its credit exposure to its Members because FICC would then be able to collect MLA Charges from the Sponsoring Members of these Sponsored Members that are commensurate with the additional market impact cost that could be incurred when such a Sponsored Member defaults, and each of its Sponsoring Members, in its capacity as the Sponsored Member's guarantor, liquidates the defaulted Sponsored Member's large net unsettled positions in the same asset grouping. Being able to better align the MLA Charge with the risks arising from position concentration of Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members would allow FICC to continue to produce margin levels commensurate with the risks and particular attributes of each relevant product, portfolio, and market. Therefore, FICC believes these proposed changes are consistent with Rule 17Ad–22(e)(6)(i) under the Act.[31]

FICC believes the proposed change to revise the asset group/subgroup language in the Rules would provide FICC with more flexibility in setting and adjusting the asset groupings used in the calculation of the MLA Charge at GSD and MBSD because such adjustments would no longer require a rule change. By being able to make adjustments to the asset groupings from time to time without a rule change, FICC would have the flexibility to respond to changes in the risk profile of Members' positions more promptly. FICC believes that having this additional flexibility to respond to changing risk profiles of Members' positions more promptly would help better ensure that FICC collects MLA Charges from Members that are commensurate with the risk exposure that FICC may face in liquidating Members' portfolios. In this way, the proposed rule change to revise the asset group/subgroup language in the Rules would allow FICC to continue to produce margin levels commensurate with the risks and particular attributes of each relevant product, portfolio, and market. Therefore, FICC believes this proposed change is consistent with Rule 17Ad–22(e)(6)(i) under the Act.[32]

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[23] 15 U.S.C. 78q–1(b)(3)(F).

[24] *Id.*

[25] *Id.*

[26] Pursuant to section 806(e)(1) of title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Rule 19b–4(n)(1)(i) under the Act, if a change materially affects the nature or level of risks presented by FICC, then FICC is required to file an advance notice filing. 12 U.S.C. 5465(e)(1) and 17 CFR 240.19b–4(n)(1)(i).

[27] 15 U.S.C. 78q–1(b)(3)(F).

[28] *Id.*

[29] 17 CFR 240.17Ad–22(e)(6)(i).

[30] *Id.*

[31] *Id.*

[32] *Id.*

Rule 17Ad–22(e)(19) under the Act[33] requires a covered clearing agency to 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 the direct participants to access the covered clearing agency's payment, clearing, or settlement facilities. FICC believes that the proposed changes are consistent with the requirements of Rule 17Ad–22(e)(19).[34]

Specifically, the proposed changes to enhance the MLA Charge calculation at GSD for Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members are designed to enable FICC to better align the MLA Charge with the risks arising from position concentration of such Sponsored Members. Better aligning the MLA Charge with such risk would enable FICC to better risk manage the material risks arising from position concentration of Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members because FICC would then be able to collect MLA Charges from the Sponsoring Members of these Sponsored Members that are commensurate with the additional market impact cost that could be incurred when such a Sponsored Member defaults, and each of its Sponsoring Members, in its capacity as the Sponsored Member's guarantor, liquidates the defaulted Sponsored Member's large net unsettled positions in the same asset grouping. Therefore, FICC believes these proposed changes are consistent with Rule 17Ad–22(e)(19) under the Act.[35]

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

FICC believes proposed changes to enhance the MLA Charge calculation at GSD for Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members may have an impact on competition because these changes could result in the Sponsoring Members of such Sponsored Members being assessed a higher margin than they would have been assessed under the current MLA Charge calculation. When these proposed changes result in a higher MLA Charge, they could burden competition for Sponsoring Members that have lower operating margins or higher costs of capital compared to other Sponsoring Members. Whether such burden on competition would be significant would depend on each Sponsoring Member's financial status and the specific risks presented by the portfolio(s) of the Sponsoring Member's Sponsored Members.

FICC believes any burden on competition imposed by the proposed changes to enhance the MLA Charge calculation at GSD for Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members would not be significant. As the result of the Impact Study indicates, if the enhanced MLA Charge calculation had been in place, the associated aggregate MLA Charge daily change would be approximately $9.47 million (or 1.18% of the impacted Sponsored Members' average daily aggregate VaR Charge and 0.20% of the Sponsoring Members' average daily aggregate VaR Charge) on average. However, regardless of whether the burden on competition would be significant, FICC believes that any burden on competition imposed by the proposed changes to enhance the MLA Charge calculation at GSD for Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members would be both necessary and appropriate in furtherance of FICC's efforts to mitigate risks and meet the requirements of the Act,[36] as described in this filing and further below.

FICC believes any burden on competition imposed by the proposed changes to enhance the MLA Charge calculation at GSD for Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members would be necessary in furtherance of the Act, specifically section 17A(b)(3)(F) of the Act.[37] As described above, the proposed changes would enable FICC to better align the MLA Charge with the risks arising from position concentration of such Sponsored Members. Better aligning the MLA Charge with such risk would help ensure that FICC collects MLA Charges from the Sponsoring Members of these Sponsored Members that are commensurate with the additional market impact cost that could be incurred when such a Sponsored Member defaults, and each of its Sponsoring Members, in its capacity as the Sponsored Member's guarantor, liquidates the defaulted Sponsored Member's large net unsettled positions in the same asset grouping such that FICC's operations would not be disrupted, and non-defaulting Members would not be exposed to losses they cannot anticipate or control. In this way, the proposed rule change to enhance the MLA Charge calculation at GSD for Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members would assure the safeguarding of securities and funds which are in the custody and control of FICC or for which it is responsible, consistent with section 17A(b)(3)(F) of the Act.[38]

In addition, FICC believes the proposed changes to enhance the MLA Charge calculation at GSD for Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members are necessary to support FICC's compliance with Rules 17Ad–22(e)(6)(i) and (e)(19) under the Act. Specifically, as described above, FICC believes these proposed changes would enable FICC to better align the MLA Charge with the risks arising from position concentration of such Sponsored Members. Being able to better align the MLA Charge with the risks arising from position concentration of Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members would allow FICC to continue to produce margin levels commensurate with the risks and particular attributes of each relevant product, portfolio, and market, consistent with Rule 17Ad–22(e)(6)(i) under the Act.[39] Better aligning the MLA Charge with the risks arising from position concentration of Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members would also enable FICC to better risk manage its credit exposure to its Members because FICC would then be able to collect MLA Charges from the Sponsoring Members of these Sponsored Members that are commensurate with the additional market impact cost that could be incurred when such a Sponsored Member defaults, and each of its Sponsoring Members, in its capacity as the Sponsored Member's guarantor, liquidates the defaulted Sponsored Member's large net unsettled positions in the same asset grouping, consistent with Rule 17Ad–22(e)(19) under the Act.[40]

FICC believes that the above-described burden on competition that could be created by the proposed changes to enhance the MLA Charge

[33] 17 CFR 240.17Ad–22(e)(19).

[34] *Id.*

[35] *Id.*

[36] 15 U.S.C. 78q–1(b)(3)(I).

[37] 15 U.S.C. 78q–1(b)(3)(F).

[38] *Id.*

[39] 17 CFR 240.17Ad–22(e)(6)(i).

[40] 17 CFR 240.17Ad–22(e)(19).

calculation at GSD for Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members would be appropriate in furtherance of the Act because such changes have been appropriately designed to assure the safeguarding of securities and funds which are in the custody or control of FICC or for which it is responsible, as described in detail above. These proposed changes would enable FICC to better align the MLA Charge with the risks arising from position concentration of such Sponsored Members. Being able to better align the MLA Charge with the risks arising from position concentration of Sponsored Members that clear through multiple accounts sponsored by multiple Sponsoring Members would allow FICC to continue to produce margin levels commensurate with the risks and particular attributes of each Sponsored Member's portfolio.

FICC believes the proposed changes to revise the asset group/subgroup language in the Rules may have an impact on competition because these changes would enable FICC to adjust the asset groupings used in the calculation of the MLA Charge from time to time, which could result in Members being assessed a higher margin than they would have been assessed under the current asset groupings. When these proposed changes result in a higher MLA Charge, they could burden competition for Members that have lower operating margins or higher costs of capital compared to other Members. Whether such burden on competition would be significant would depend on each Member's financial status and the specific risks presented by each Member's portfolio(s). Regardless of whether the burden on competition would be significant, FICC believes that any burden on competition imposed by the proposed changes to revise the asset group/subgroup language in the Rules would be both necessary and appropriate in furtherance of FICC's efforts to mitigate risks and meet the requirements of the Act,[41] as described in this filing and further below.

FICC believes that any such burden on competition imposed by the proposed changes to revise the asset group/subgroup language in the Rules would be necessary in furtherance of the Act, specifically section 17A(b)(3)(F) of the Act.[42] As described above, these proposed changes would provide FICC with more flexibility in setting and adjusting the asset groupings used in the calculation of the MLA Charge at GSD and MBSD because such adjustments would no longer require a rule change. By being able to make adjustments to the asset groupings from time to time without a rule change, FICC would have the flexibility to respond to changes in the risk profile of Members' positions more promptly. FICC believes that having this additional flexibility to respond to changing risk profiles of Members' positions more promptly would help better ensure that FICC collects MLA Charges from Members that are commensurate with the risk exposure that FICC may face in liquidating Members' portfolios such that, in the event of a Member default, FICC's operations would not be disrupted, and non-defaulting Members would not be exposed to losses they cannot anticipate or control. In this way, the proposed changes to revise the asset group/subgroup language in the Rules would assure the safeguarding of securities and funds which are in the custody and control of FICC or for which it is responsible, consistent with section 17A(b)(3)(F) of the Act.[43]

In addition, FICC believes the proposed changes to revise the asset group/subgroup language in the Rules are necessary to support FICC's compliance with Rule 17Ad–22(e)(6)(i) under the Act. Specifically, as described above, FICC believes these proposed changes would provide FICC with more flexibility in setting and adjusting the asset groupings used in the calculation of the MLA Charge at GSD and MBSD and help better ensure that FICC collects MLA Charges from Members that are commensurate with the risk exposure that it may face in liquidating Members' portfolios. In this way, the proposed changes to revise the asset group/subgroup language in the Rules would allow FICC to continue to produce margin levels commensurate with the risks and particular attributes of each relevant product, portfolio, and market. Therefore, FICC believes these proposed changes are consistent with Rule 17Ad–22(e)(6)(i) under the Act.[44]

FICC believes that the above-described burden on competition that could be created by the proposed changes to revise the asset group/subgroup language in the Rules would be appropriate in furtherance of the Act because such changes have been appropriately designed to assure the safeguarding of securities and funds which are in the custody or control of FICC or for which it is responsible, as described in detail above. These proposed changes would help better ensure that FICC collects MLA Charges from Members that are commensurate with the risk exposure that FICC may face in liquidating Members' portfolios. Being able to collect MLA Charges from Members that are commensurate with the risk exposure that FICC may face in liquidating Members' portfolios would allow FICC to continue to produce margin levels commensurate with the risks and particular attributes of each Member's portfolio.

FICC does not believe the proposed clarifying and technical changes to the GSD Rules and MBSD Rules would impact competition. These proposed changes would help to ensure that the GSD Rules and MBSD Rules remain clear. In addition, the changes would facilitate Members' understanding of the GSD Rules and MBSD Rules and their obligations thereunder. These proposed changes would not affect FICC's operations or the rights and obligations of the membership. As such, FICC believes the proposed clarifying and technical changes to the GSD Rules and MBSD Rules would not have any impact 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. 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 *https://www.sec.gov/regulatory-actions/how-to-submit-comments.* General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the SEC's Division of Trading and Markets at *tradingandmarkets@sec.gov* or 202–551–5777.

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

[41] 15 U.S.C. 78q–1(b)(3)(I).

[42] 15 U.S.C. 78q–1(b)(3)(F).

[43] *Id.*

[44] 17 CFR 240.17Ad–22(e)(6)(i).

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

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

Electronic Comments

- Use the Commission's internet comment form (*https://www.sec.gov/rules/sro.shtml*); or
- Send an email to *rule-comments@sec.gov.* Please include File Number SR–FICC–2023–012 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–2023–012. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (*https://www.sec.gov/rules/sro.shtml*). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 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 (*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–2023–012 and should be submitted on or before September 14, 2023.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[45]

Sherry R. Haywood,

Assistant Secretary.

[FR Doc. 2023–18187 Filed 8–23–23; 8:45 am]

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[45] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–98165; File No. 4–698]

Joint Industry Plan; Notice of Filing of Amendment to the National Market System Plan Governing the Consolidated Audit Trail

August 18, 2023.

I. Introduction

On August 2, 2023, the Operating Committee for Consolidated Audit Trail, LLC (''CAT LLC''), on behalf of the following parties to the National Market System Plan Governing the Consolidated Audit Trail (the ''CAT NMS Plan'' or ''Plan''):[1] BOX Exchange LLC, Cboe BYX Exchange, Inc., Cboe BZX Exchange, Inc., Cboe EDGA Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe C2 Exchange, Inc., Cboe Exchange, Inc., Financial Industry Regulatory Authority, Inc., Investors Exchange LLC, Long-Term Stock Exchange, Inc., MEMX LLC, Miami International Securities Exchange LLC, MIAX Emerald, LLC, MIAX PEARL, LLC, Nasdaq BX, Inc., Nasdaq GEMX, LLC, Nasdaq ISE, LLC, Nasdaq MRX, LLC, Nasdaq PHLX LLC, The NASDAQ Stock Market LLC, New York Stock Exchange LLC, NYSE American LLC, NYSE Arca, Inc., NYSE Chicago, Inc. and NYSE National, Inc. (collectively, the ''Participants'' or ''SROs'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') pursuant to section 11A(a)(3) of the Securities Exchange Act of 1934 (''Exchange Act''),[2] and Rule 608 thereunder,[3] a proposed amendment to the CAT NMS Plan to modify the current linkage timeline (''Current Linkage Timeline'') for the consolidated audit trail (''CAT''), as contained in Appendix A, attached hereto (''Revised Linkage Timeline''). The Commission is publishing this notice to solicit comments from interested persons on the amendment.[4]

II. Description of the Plan

Set forth in this Section II is the statement of the purpose and summary of the amendment, along with information required by Rule 608(a)(4) and (5) under the Exchange Act,[5] as prepared and submitted by the Participants to the Commission and reproduced below verbatim.[6]

A. Description of the Proposed Amendments to the CAT NMS Plan

1. Current Linkage Timeline

The CAT NMS Plan requires that all CAT Data reported to the Central Repository must be processed and assembled to create the complete lifecycle of each Reportable Event.[7] The Plan Processor uses a daisy chain approach to link and create the order lifecycles. In the daisy chain approach, a series of unique order identifiers, assigned to all order events handled by CAT Reporters, are linked together by the Central Repository and assigned a single CAT-generated CAT Order ID that is associated with each individual order event and used to create the complete lifecycle of an order.[8] Under the Current Linkage Timeline, the CAT provides a final CAT Order ID at T+5 at 8 a.m. ET pursuant to the following timeline:

T+1 @8 a.m.: Initial submissions due
T+1 @12 p.m.: Initial data validation, communication of errors to CAT Reporters; unlinked data available to regulators
T+1 @9 p.m.: Interim CAT Order ID available [9]
T+3 @8 a.m.: Resubmission of corrected data

[1] The CAT NMS Plan is a national market system plan approved by the Commission pursuant to section 11A of the Exchange Act and the rules and regulations thereunder. *See* Securities Exchange Act Release No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (''Order Approving CAT NMS Plan'').

[2] 15 U.S.C 78k–1(a)(3).

[3] 17 CFR 242.608.

[4] 17 CFR 242.608.

[5] *See* 17 CFR 242.608(a)(4) and (a)(5).

[6] *See supra* note 4. Unless otherwise defined herein, capitalized terms used herein are defined as set forth in the CAT NMS Plan.

[7] Section 3 of Appendix D of the CAT NMS Plan at D–7.

[8] Section 3 of Appendix D of the CAT NMS Plan at D–8.

[9] *See supra* nn.5–6.