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.* Please include File Number SR–ISE–2018–39 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–ISE–2018–39. 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–ISE–2018–39 and should be submitted on or before May 29, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[41]

Eduardo A. Aleman,

Assistant Secretary.

[FR Doc. 2018–09696 Filed 5–7–18; 8:45 am]

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[41] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–83153; File No. SR–FICC–2018–003]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change To Amend the Fee Structure of the Government Securities Division Rulebook

May 2, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on April 27, 2018, 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 would amend the Fee Structure of the FICC Government Securities Division (''GSD'') Rulebook (''GSD Rules'')[3] with respect to the fees associated with the delivery-versus-payment (''DVP'') service as well as make other changes, 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, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of this proposed rule change is to amend the Fee Structure of the GSD Rules with respect to the fees associated with the DVP service and make other changes[4] in order to reduce complexity and to better align pricing with the costs of services provided by GSD. The proposed rule change would also make conforming, clarifying, and technical changes. Taken collectively, the proposed rule changes are designed to be revenue neutral for GSD and may eliminate perceived pricing barriers to entry, as described below.

(i) Background

GSD provides clearance and settlement services for trades executed by its Members in the U.S. government securities market. GSD supports and facilitates these services through transaction processing and position management.

Transaction processing for the DVP service includes the recording and comparison of transactions submitted to GSD for clearance and settlement through GSD's comparison system, the Real-Time Trade Matching system.

Position management for the DVP service includes trade netting, trade settlement, and the management of credit risks, market risks, and liquidity risks associated with transactions submitted to GSD for clearance and settlement.

(ii) Current Fees

Members are assessed fees in accordance with the GSD Fee Structure. The current GSD Fee Structure covers a multitude of fees that are assessed on Members based upon their activities and the services utilized. The number of fees and the methods by which they are calculated makes the current GSD Fee Structure unnecessarily complex. In addition, due to changes in technology and regulatory environment, certain fees in the current GSD Fee Structure have become misaligned with the costs of services provided by GSD.

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

[2] 17 CFR 240.19b–4.

[3] Capitalized terms not defined herein are defined in the GSD Rules, *available at http://www.dtcc.com/~/media/Files/Downloads/legal/rules/ficc_gov_rules.pdf.*

[4] FICC is not proposing changes to fees specifically associated with either the GCF Repo® Service or the CCIT Service at this time because those fees are more aligned with the costs of providing such services. However, as further discussed below in Item II.(A)1.(iii) (entitled ''PROPOSED FEE CHANGES''), FICC is proposing a change to the minimum monthly fee. The minimum monthly fee is not specific to any service and would apply to each account of either a Comparison-Only Member or a Netting Member; such account of a Netting Member could include GCF Repo and/or CCIT activity. The minimum monthly fee for an account would not apply if the total monthly fees incurred by the account pursuant to proposed Sections I, II, and IV of the GSD Fee Structure exceed $2,500. CCIT Members are not subject to the minimum monthly fee.

For additional information on the GCF Repo Service and the CCIT Service, please refer to GSD Rule 20 and GSD Rule 3B, respectively. *See* GSD Rule 20 and GSD Rule 3B. GSD Rules, *id.*

A. Pricing Overly Complex

The current GSD Fee Structure (as it relates to the DVP service) consists of trade submission fees, trade netting fees, Repo Transaction [5] processing fees, and settlement fees.[6]

Trade submission fees are based on a seven-tiered structure where the fees are charged based on the number of sides of buy/sell transactions and Repo Transactions submitted and matched in a given month. There are two (2) tiered structures for the trade submission fees, one for the Dealer Accounts and the other one for the Broker Accounts.

Trade netting fees consist of ''into the net'' fees and ''out of the net'' fees. The ''into the net'' fees are different for Broker Accounts and Dealer Accounts and are based on the number of sides of buy/sell transactions and Repo Transactions that are being netted (a seven-tiered structure based on the monthly number of sides of buy/sell transactions and Repo Transactions), and the par value of those sides.[7] The ''out of the net'' fee is a par value-based fee for each Deliver Obligation and Receive Obligation created as a result of the netting process.[8]

Repo Transaction processing fees are comprised of (1) two gross Repo Transaction processing fees, one for Broker Accounts and one for Dealer Accounts, and (2) a net Repo Transaction processing fee.[9]

With a combination of the tiered structure for trade submission fees and trade netting fees, an ''into the net'' par value-based fee, an ''out of the net'' par value-based fee, and gross and net Repo Transaction processing fees, the current GSD Fee Structure can be difficult for Members to understand and reconcile. In fact, Members and market participants have often indicated to FICC that the current GSD Fee Structure is too complex and difficult to understand. The complexity of the GSD Fee Structure is also noted in the U.S. Department of the Treasury October 2017 report to President Donald Trump on U.S. capital markets (''Treasury Report'').[10]

B. Pricing Alignment With Costs of Services Provided by GSD

With respect to the fees associated with the DVP service, a portion of the current GSD Fee Structure is based on transaction processing, with a number of fees charged to Members being driven by the number of transactions that the Members submit to GSD for clearance and settlement (tiered structure for trade submission fees and tiered structure for trade netting fees, as described in Item II.(A)1.(ii)A. above). As a result, under the current GSD Fee Structure, fees are higher for a Member that submitted a larger number of transactions to GSD than a Member that submitted a smaller number of transactions, even when the total par value of the trades that each such Member submitted to GSD is the same.

With technological advancements, GSD's systems have become more scalable and efficient with respect to transaction processing, which has resulted in a reduction in GSD's costs associated with transaction processing. In contrast, GSD faces continued increasing risk management costs, such as costs of account monitoring, intraday margining, and end of day risk management. Therefore, GSD has had to shift its resource allocation so that a sizable portion of its resources is now dedicated to the management of Members' positions. Consequently, certain fees in the current GSD Fee Structure have become misaligned with the costs of services provided by GSD.

As an example, the costs for GSD to manage a single $50 million 30-day Term Repo Transaction [11] for Member A and twenty (20) [12] $50 million overnight Repo Transactions [13] for Member B are similar because the resulting daily positions are the same over the 30-day period, and similar resources are utilized to ensure the safety and soundness of the clearing agency to these transaction types. However, even though these transactions require similar costs and resources to manage, under the current GSD Fee Structure, Member B will be assessed a fee [14] that is approximately 3.3 times the fee assessed on Member A. This is because under the current GSD Fee Structure, fees associated with Member B's overnight Repo Transactions are higher (*e.g.,* on each Business Day, Member B will be assessed $0.17 per side of trade going into the net, $0.016 per million par value going into the net, and $0.175 per million par value out of the net) than fees associated with Member A's Term Repo Transaction (*e.g.,* Member A will be assessed each of the following fees once: $0.17 per side of trade going into the net, $0.016 per million par value going into the net, and $0.175 per million par value out of the net; in addition, on each calendar day, Member A will be assessed a 0.04 basis point charge applied to the gross dollar amount of its Term Repo Transaction and a 0.08 basis point charge applied to the net dollar amount of its Term Repo Transaction).

[5] The term ''Repo Transaction'' means: (1) An agreement of a party to transfer Eligible Securities to another party in exchange for the receipt of cash, and the simultaneous agreement of the former party to later take back the same Eligible Securities (or any subsequently substituted Eligible Securities) from the latter party in exchange for the payment of cash, or (2) an agreement of a party to take in Eligible Securities from another party in exchange for the payment of cash, and the simultaneous agreement of the former party to later transfer back the same Eligible Securities (or any subsequently substituted Eligible Securities) to the latter party in exchange for the receipt of cash, as the context may indicate, the data on which have been submitted to FICC pursuant to the GSD Rules. A ''Repo Transaction'' includes a GCF Repo Transaction, unless the context indicates otherwise. *See* GSD Rule 1. GSD Rules, *supra* note 3. For the purposes of describing the proposed rule changes, the term ''Repo Transaction'' will exclude GCF Repo Transactions.

[6] Settlement fees consist of obligation fees and pass-through fees for clearing bank services. These fees are not being changed under this proposal.

[7] With respect to the DVP service, the ''into the net'' par value-based fee is currently $0.015 per one million of par value for Broker Accounts and $0.016 per one million of par value for Dealer Accounts for each Compared Trade, Start Leg of a Repo Transaction, Close Leg of a Repo Transaction, Fail Deliver Obligation, and Fail Receive Obligation. *See* current Section III.A.1(ii) of the GSD Fee Structure. GSD Rules, *supra* note 3.

[8] With respect to the DVP service, the ''out of the net'' par value-based fee is currently $0.175 per one million of par value for each Deliver Obligation and Receive Obligation created as a result of the netting process. *See* current Section III.A.2 of the GSD Fee Structure. GSD Rules, *supra* note 3.

[9] The gross Repo Transaction processing fees are currently a 0.0175 basis point charge and a 0.04 basis point charge applied to the gross dollar amount of each Term Repo Transaction for Broker Accounts and Dealer Accounts, respectively, that has been compared and netted but not yet settled. The net Repo Transaction processing fee is currently a 0.08 basis point charge applied to the net dollar amount of a Netting Member's Term Repo Transactions within a CUSIP that has been compared and netted but not yet settled. *See* current Section III.E. of the GSD Fee Structure. GSD Rules, *supra* note 3.

[10] *See* U.S. Department of the Treasury, A Financial System That Creates Economic Opportunities: Capital Markets (October 2017), at 81, *available at https://www.treasury.gov/press-center/press-releases/Documents/A-Financial-System-Capital-Markets-FINAL-FINAL.pdf.*

[11] The term ''Term Repo Transaction'' means, on any particular Business Day, a Repo Transaction for which settlement of the Close Leg is scheduled to occur two or more Business Days after the scheduled settlement of the Start Leg. *See* GSD Rule 1, Definitions. GSD Rules, *supra* note 3.

[12] The example assumes there are twenty (20) Business Days in a month. Twenty (20) overnight Repo Transactions would span the same number of calendar days, *i.e.,* 30 calendar days, as a single 30-day Term Repo Transaction. This is because each overnight Repo Transaction that starts on a Friday will settle on the following Monday.

[13] Overnight Repo Transactions are Repo Transactions for which settlement of the Close Leg is scheduled to occur one Business Day after the scheduled settlement of the Start Leg.

[14] In addition, Member A and Member B would be assessed other fees, such as trade submission fees and clearance charges; however, these fees are excluded for the purposes of this example because they are not relevant to position management.

C. Review of Current Fees and Rationale for Proposed Fee Amounts

Over the past two years, GSD performed an extensive review of the current GSD Fee Structure with the goals of reducing pricing complexity and aligning pricing with costs, while on an overall basis maintaining GSD's revenue at the current level.

GSD believes it is reasonable and appropriate to assess Members fees that are commensurate with the costs of services provided to Members. Accordingly, based on a review of the costs associated with position management vis-à-vis the overall cost structure as well as the current fees, GSD estimates that the transaction processing fees and the position management fees associated with the DVP service should account for approximately thirty percent (30%) and seventy percent (70%), respectively, of GSD's projected revenue associated with the DVP service. In particular, the position management fees would be comprised of an intraday position management fee and an end of day position management fee, each aimed to reflect the respective costs of services required in managing intraday positions and end of day positions. The proposed fee changes would better align GSD's revenue with the 30/70 split between transaction processing and position management costs. FICC expects GSD's net revenue to remain relatively unchanged as a result of this proposal.

(iii) Proposed Fee Changes

Based upon feedback from Members and market participants as well as a review of current fees conducted by FICC as described above, FICC is proposing to modify the GSD Fee Structure to (i) reduce pricing complexity and (ii) better align pricing with costs of services provided by GSD.

In that respect, the proposed GSD Fee Structure would establish four (4) new fees, modify three (3) existing fees, and eliminate twelve (12) fees, each as further described below.

FICC is proposing to add the following fees—

- Transaction processing fee for Broker Accounts
- Transaction processing fee for Dealer Accounts
- Intraday position fee
- End of day position fee

FICC is proposing to modify the following fees—

- Minimum monthly fee
- Auction takedown fee
- Locked-in trade data fee

FICC is proposing to eliminate the following fees—

- Surcharge for submission method
- Seven-tiered transaction based DVP trade submission fee for Broker Accounts
- Seven-tiered transaction based DVP trade submission fee for Dealer Accounts
- Seven-tiered transaction based DVP netting fee for Broker Accounts
- Seven-tiered transaction based DVP netting fee for Dealer Accounts
- DVP par value based into the net fee for Broker Accounts
- DVP par value based into the net fee for Dealer Accounts
- DVP par value based obligation fee (the ''out of the net'' fee)
- Gross Repo Transaction processing fee for Broker Accounts for DVP transactions
- Gross Repo Transaction processing fee for Dealer Accounts for DVP transactions
- Net Repo Transaction processing fee for DVP transactions
- Fees applicable to additional accounts

The foregoing proposed fee changes would address pricing complexity, pricing alignment to costs, or both, as further described in the section-by-section discussion below. FICC believes the proposed fee changes that address pricing complexity would enhance pricing transparency, making it easier for Members (and prospective members) to understand the GSD Fee Structure. FICC also believes shifting the GSD Fee Structure regarding the DVP service away from a volume-driven approach may result in making central clearing more accessible to additional market participants. Taken collectively, the proposed rule changes are designed to be revenue neutral for GSD and may eliminate perceived pricing barriers to entry.

Section I of GSD Fee Structure

In order to address the complexity of the GSD Fee Structure, FICC is proposing to replace the seven-tiered trade submission fees for both Dealer Accounts and Broker Accounts with a single transaction processing fee that would be charged to Members upon the comparison of a side of a buy/sell transaction or a Repo Transaction in the DVP service. As proposed, Dealer Accounts would be charged a fee of $0.04 per million par value for transaction processing, and Broker Accounts would be charged a fee of $0.02 per million par value for transaction processing.[15] This proposed change would also enable GSD to better align pricing with costs by assessing a fee that is more reflective of the costs that GSD is currently incurring for transaction processing, as described above in Item II.(A)1.(ii)C.

In order to further reduce the complexity of the current GSD Fee Structure, FICC is proposing to delete fees in Section I of the GSD Fee Structure that are no longer applicable. Specifically, FICC is proposing to delete Section I.B. of the GSD Fee Structure, which imposes surcharges on a Member based on the submission method used by the Member. Current Section I.B. of the GSD Fee Structure imposes certain surcharges on Members submitting trade data to GSD using submission methods other than the Interactive Submission Method, *e.g.,* the Multiple Batch Submission Method or the Single Batch Submission Method. These surcharges are no longer required because all Members currently submit trade data to GSD using the Interactive Submission Method, and FICC does not expect that to change in the future because of technological advancements in real-time trade submission capability across the financial industry. This proposed change would necessitate the re-lettering of the subsequent provisions in Section I of the GSD Fee Structure.

Section II of GSD Fee Structure

In order to better align pricing with the costs of services provided by GSD, FICC is proposing to add two position management fees applicable to the DVP service in proposed Section II of the GSD Fee Structure. The first position management fee would be the intraday position fee of $0.04 per million par value that would be calculated for a Member each Business Day based on the largest gross position of the Member (including positions of any Non-Member that the Member is clearing for) that Business Day. FICC proposes to determine the gross position of a Member in 15-minute intervals between 9 a.m. and 4 p.m. each Business Day by netting the par value of all compared buy/sell transactions, Repo Transactions, and unsettled obligations of the Member (including any such activity submitted by the Member for a Non-Member that the Member is clearing for) by CUSIP Number and taking the sum of the absolute par value of each such CUSIP Number.

The second position management fee would be the end of day position fee of $0.115 per million par value that would be calculated for a Member each Business Day based on the end of day gross position of the Member (including positions of any Non-Member that the

[15] Broker Accounts submit two sides per transaction. As such, a Broker Account would be charged a total of $0.04 per million par value (*i.e.,* $0.02 per million par value times two) for each transaction.

Member is clearing for) that Business Day. FICC proposes to determine the end of day gross position of a Member by netting the par value of all compared buy/sell transactions, Repo Transactions, and unsettled obligations of the Member (including any such activity submitted by the Member for a Non-Member that the Member is clearing for) at the end of the Business Day by CUSIP Number and taking the sum of the absolute par value of each such CUSIP Number.

The two proposed position management fees would better align pricing with costs of services provided by GSD because they would be driven by position management and, as stated above, GSD's costs associated with position management have increased. The proposed intraday position fee of $0.04 per million par value is aimed to reflect the costs associated with monitoring and management of Members' intraday DVP positions. The proposed end of day position fee of $0.115 per million par value is aimed to reflect the costs associated with end of day processing, overnight position management, and various risk and operational activities required to assure the ability of FICC to continue to provide a dependable, stable and efficient clearing and settlement service for Members.

Section IV of GSD Fee Structure

In order to reduce pricing complexity further, FICC is proposing to eliminate all netting fees provided in renumbered Section IV of the GSD Fee Structure, *i.e.,* (1) the two seven-tiered netting fees for both Broker Accounts and Dealer Accounts, (2) the ''into the net'' fees of $0.015 per one million of par value for Broker Accounts and $0.016 per one million of par value for Dealer Accounts for each Compared Trade, Start Leg of a Repo Transaction, Close Leg of a Repo Transaction, Fail Deliver Obligation, and Fail Receive Obligation, and (3) the ''out of the net'' fees of $0.175 per one million of par value for each Deliver Obligation and Receive Obligation created as a result of the netting process. This would reduce pricing complexity and thereby enhance pricing transparency because the proposal would eliminate the necessity for Members to reconcile their fees to the multiple-tiered netting fees, the ''into the net'' fees, and the ''out of the net'' fees.

In addition, FICC is proposing to delete from renumbered Section IV.C. of the GSD Fee Structure the Repo Transaction processing fees and related language for Term Repo Transactions in the DVP service that have been compared and netted but not yet settled. This would reduce pricing complexity and thereby enhance pricing transparency because there would no longer be separate Repo Transaction processing fees for Term Repo Transactions. As proposed, Term Repo Transactions would be assessed the proposed position management fees, just like overnight Repo Transactions and buy/sell transactions.

Section V of GSD Fee Structure

In order to reduce pricing complexity, FICC is proposing to eliminate fees applicable to additional accounts from current Section V of the GSD Fee Structure. FICC believes this proposed change would reduce pricing complexity and thereby enhance pricing transparency because Members would no longer need to differentiate and keep track of their main accounts versus their additional accounts. As proposed, each account of every Comparison-Only Member and Netting Member would now be subject to the same fee, *i.e.,* the minimum monthly fee.

In order to better align pricing with the costs of services provided by GSD, FICC is proposing changes to fees associated with accounts of Comparison-Only Members and Netting Members. Specifically, FICC is proposing to modify the minimum monthly fee in proposed Section V of the GSD Fee Structure. As proposed, the minimum monthly fee would be increased from $1,000 to $2,500 per account and would apply to all accounts of every Comparison-Only Member and Netting Member instead of just their sole or primary account.[16] FICC is proposing to increase the minimum monthly fee to $2,500 per account because FICC believes this change would better reflect GSD's costs of account monitoring, which have increased as described above in Item II.(A)1.(ii)B.

(iv) Expected Member Impact

In general, FICC anticipates that the proposal would result in fee increases for Members that currently have large directional term repurchase agreement positions. This is because under the current GSD Fee Structure, Members with Term Repo Transactions are charged less than Members with overnight Repo Transactions. In contrast, under the proposal the Members would be assessed the same position management fees for both their Term Repo Transactions as well as their overnight Repo Transactions.

Using the same example from Item II.(A)1.(ii)B (entitled ''CURRENT FEES—Pricing Alignment with Costs of Services Provided by GSD''), under the proposal, both Member A and Member B would be assessed the same fee for position management of their respective Repo Transactions because the proposal would harmonize how fees are assessed for the management of positions related to overnight Repo Transactions and Term Repo Transactions.[17]

Meanwhile, FICC anticipates that Members with high volumes of buy/sell transactions that maintain minimal positions would see a decrease in their fees because the position management fee associated with their activities would be minimal.

FICC anticipates that the proposal would have a lesser impact on fees for Members with diversified portfolios of varying transaction types/terms.

(v) Alternatives Considered

During development of this proposal, FICC considered a range of alternatives to the proposal, including:

(i) A tiered, fixed monthly membership fee based on Members' historical activity level, which would provide certainty to Members regarding their monthly fee amounts. However, establishing an equitable baseline for such a fixed membership fee would be difficult because Members' volumes and positions vary (materially in some cases) over time due to market events, trading strategies or corporate outlook, and, as such, Members' utilization of GSD services would change accordingly;

(ii) A single fee based on Members' end of day positions; however, under this alternative, Members with end of day positions would disproportionally subsidize intraday position holders who do not carry end of day positions as well as Members with large transaction volumes but minimal end of day positions;

(iii) A combination of two fees based on Members' end of day and intraday positions, respectively; however, under this alternative, Members with end of day and/or intraday positions would disproportionally subsidize Members with large transaction volumes but minimal intraday and/or end of day positions; and

(iv) A combination of two fees based on Members' end of day positions and

[16] As proposed, the minimum monthly fee would apply to all accounts of a Netting Member, including any account the Netting Member may have as a Sponsoring Member.

[17] When comparing with fees under the current GSD Fee Structure, excluding transaction processing fees and clearance charges, as proposed, Member A would see a fee increase of approximately 2.6 times and Member B would see a decrease of approximately twenty percent (20%).

transaction processing, respectively; however, under this alternative, Members with end of day positions would disproportionately subsidize intraday position holders with minimal end of day positions.

Given the shortcomings noted above, FICC did not choose the foregoing alternatives.

(vi) Conforming, Clarifying, and Technical Changes

FICC is proposing a number of conforming, clarifying, and technical changes. The proposed rule changes to make conforming, clarifying, and technical changes are set forth in proposed Sections I, III, IV, V, VI, VII, VIII, and XII of the GSD Fee Structure, as further described below.

Section I of GSD Fee Structure

FICC is proposing to rename the heading of Section I of the GSD Fee Structure from ''Trade Comparison Fees'' to ''Transaction Fees'' to better reflect the proposed changes to that section, as described above.

FICC is proposing to rename the heading of Section I.A. of the GSD Fee Structure from ''Trade Submission'' to ''Transaction Processing.'' In addition, FICC is proposing changes throughout Section I.A. of the GSD Fee Structure to clarify that references to a ''trade'' means a ''buy/sell transaction.'' FICC is also proposing a number of conforming changes in Section I.A. of the GSD Fee Structure. Specifically, FICC is proposing to delete a reference to ''submission fee'' and replace it with ''processing fee.'' FICC is also proposing to update the reference to ''subsection D'' to reflect the proposed re-lettering of that subsection.

Additionally, FICC is proposing to update the format of (i) the $.50 rejection fee to $0.50 in Section I.A. of the GSD Fee Structure, (ii) the 15 cents yield-to-price conversion charge to $0.15 in the proposed Section I.B. of the GSD Fee Structure, (iii) the 25 cents and 5 cents modification/cancellation fees to $0.25 and $0.05, respectively, in the proposed Section I.C. of the GSD Fee Structure, (iv) the 25 cents coupon pass-through fee to $0.25 in the proposed Section I.D. of the GSD Fee Structure, (v) the $.75 repurchase agreement collateral substitution fee to $0.75 in the proposed Section I.E. of the GSD Fee Structure, (vi) the $.07 and $.025 recording fees to $0.07 and $0.025 in the proposed Section I.G. of the GSD Fee Structure, and (vii) the $.07 recording fee to $0.07 in the proposed Section I.H. of the GSD Fee Restructure, in order to be consistent with the format of the other fees in the GSD Fee Structure.

For better organization of the GSD Fee Structure, FICC is proposing to relocate current Sections III.B. (Auction Takedown Process), III.F. (Coupon Pass-Through Fee), and III.G. (Repo Collateral Substitution Fees), which cover fees associated with the Auction Takedown Service, pass-through of coupon payments, and the processing of repurchase agreement collateral substitution requests, to proposed Sections I.F., I.D., and I.E., respectively, of the GSD Fee Structure because each of these fees is a type of transaction fee.

In addition, FICC is proposing to revise the section on Auction Takedown Process (proposed Section I.D. of the GSD Fee Structure) by replacing the words ''locked-in trades'' with ''buy/sell transactions'' because all trades associated with the Auction Takedown Service are locked-in. FICC is also proposing to change this section to reflect that, instead of the ''Trade Submission'' fees, fees for trades associated with the Auction Takedown Service would include the proposed ''Transaction Processing'' fees in Section I.A. of the GSD Fee Structure and the proposed ''Position Management Fees'' in Section II of the GSD Fee Structure.

FICC is proposing a conforming change in the proposed Section I.G. of the GSD Fee Structure by deleting the reference to ''Trade Submission'' fee schedule and replacing it with ''Transaction Processing'' fees.

Section III of GSD Fee Structure

FICC is proposing the renumbering of this section from current Section II of the GSD Fee Structure to proposed Section III of the GSD Fee Structure.

Section IV of GSD Fee Structure

FICC is proposing to rename the heading of renumbered Section IV of the GSD Fee Structure from ''Netting Fee and Charges (in addition to the comparison fee)'' to ''Other Charges (in addition to the transaction fees)'' to better reflect the proposed changes to this section, as described above.

As described above, for better organization of the GSD Fee Structure, FICC is also proposing to relocate current Sections III.B. (Auction Takedown Process), III.F. (Coupon Pass-Through Fee), and III.G. (Repo Collateral Substitution Fees) to proposed Sections I.F., I.D., and I.E., respectively, of the GSD Fee Structure. These proposed changes would necessitate a re-lettering of all subsequent provisions in renumbered Section IV of the GSD Fee Structure.

In addition, FICC is proposing to rename the heading of renumbered Section IV.C. of the GSD Fee Structure from ''Repo Transaction Processing Fee'' to ''GCF Repo Transaction and CCIT Transaction Processing Fee'' to better reflect the proposed changes to this section. FICC is also proposing two conforming changes: (i) Relocate and update the reference to ''Repo Broker'' definition to appear right after the first usage of ''Repo Broker'' in this section and (ii) reflect the remaining fee in renumbered Section IV.C. of the GSD Fee Structure in a singular form.

In addition, FICC is proposing a conforming change in renumbered Section IV.D. of the GSD Fee Structure to reflect the proposed renumbering of sections in the GSD Fee Structure by changing a reference from ''Section III'' to ''Section IV.''

Section V of GSD Fee Structure

Currently, the minimum monthly fee does not apply if the total monthly fees incurred by the sole or primary account of a Comparison-Only Member or a Netting Member pursuant to existing Sections I and III of the GSD Fee Structure exceed the minimum monthly fee; however, this is not expressly stated in the current GSD Fee Structure. FICC is proposing to add a sentence to proposed Section V of the GSD Fee Structure that would make it clear to Members that the minimum monthly fee would not apply to an account if the total monthly fees incurred by the account pursuant to Sections I, II (a proposed new section), and IV (renumbered from III) of the GSD Fee Structure exceed $2,500.

Section VI of GSD Fee Structure

FICC is proposing changes in Section VI of the GSD Fee Structure to clarify that references to ''trades'' means ''buy/sell transactions and Repo Transactions.''

Section VII of GSD Fee Structure

FICC is proposing two changes to Section VII of the GSD Fee Structure. The first change is being proposed in order to conform to the deletion of the fee for additional accounts in proposed Section V of the GSD Fee Structure, as described above in Item II.(A)1.(iii) (entitled ''PROPOSED FEE CHANGES''). Specifically, FICC is proposing to delete the reference to the fee for additional accounts, which is being eliminated under the proposal.

The second change is being proposed in order to make it clear that a Sponsoring Member would be subject to the minimum monthly fee set forth in proposed Section V of the GSD Fee Structure, as described above in Item II.(A)1.(iii) (entitled ''PROPOSED FEE

CHANGES''). This is a clarifying change because, pursuant to the GSD Rules, Sponsoring Members are by definition also Netting Members,[18] and, as proposed, each account of every Netting Member would be subject to the minimum monthly fee, which would include any account the Netting Member may have as a Sponsoring Member. This proposed change would make it clear to a Sponsoring Member that its Sponsoring Member Omnibus Account would be subject to the minimum monthly fee.

Section VIII of GSD Fee Structure

In current Section VIII of the GSD Fee Structure, FICC is proposing (i) a technical change to reflect the reference to the GSD Fee Structure as ''Fee Structure'' instead of ''fee structure'' and (ii) changes to clarify that references to a ''trade'' means a ''buy/sell transaction.'' In addition, FICC is proposing a change to clarify that a CCIT Transaction, like a Term GCF Repo Transaction, would be considered to have one Start Leg and one Close Leg during its term. This clarification is being proposed because a CCIT Transaction is similar to a GCF Repo Transaction, and FICC believes this would be a helpful clarification for Members.

Section XII of GSD Fee Structure

FICC is proposing a conforming change in current Section XII of the GSD Fee Structure by deleting the reference to ''comparison and netting fees'' and replacing it with ''transaction fees.'' In addition, FICC is proposing a technical change by deleting the outdated reference to ''Operations and Planning Committee'' and replacing it with Board, which is defined in GSD Rule 1 (Definitions) as ''the Board of Directors of Fixed Income Clearing Corporation or a committee thereof acting under delegated authority.'' [19]

(vii) Member Outreach

Beginning in December 2017, FICC conducted outreach to each Member in order 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.

(viii) Implementation Timeframe

Pending Commission approval, FICC expects to implement this proposal on July 2, 2018. As proposed, a legend would be added to the GSD Fee Structure stating that there are changes that have been approved by the Commission but have not yet been implemented. The proposed legend also would include a 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 from the GSD Fee Structure.

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 this proposal is consistent with Sections 17A(b)(3)(D) [20] and 17A(b)(3)(F) [21] of the Act and Rule 17Ad–22(e)(23)(ii),[22] as promulgated under the Act, for the reasons described below.

Section 17A(b)(3)(D) of the Act requires that the GSD Rules provide for the equitable allocation of reasonable dues, fees, and other charges among its participants.[23] FICC believes the proposed rule changes to the GSD Fee Structure, described in detail in Item II.(A)1.(iii) (entitled ''PROPOSED FEE CHANGES''), to better align pricing with costs of GSD services would provide for the equitable allocation of reasonable fees. As described above in Item II.(A)1.(ii)B (entitled ''CURRENT FEES—Pricing Alignment with Costs of Services Provided by GSD''), GSD's costs have increased due to the continued increasing risk management costs and are no longer aligned with the current GSD Fee Structure. This proposal would better align GSD's pricing (*e.g.,* fees associated with the DVP service as well as the minimum monthly fee) with costs attributed to GSD's management of Members' DVP positions and costs of account monitoring, respectively. With respect to proposed fees associated with the DVP service, a Member whose DVP positions result in higher position management costs to GSD would be charged a relatively higher fee as that would be reflective of the higher costs to GSD in managing those positions of the Member. On the other hand, a Member whose DVP positions require less management by GSD would be charged a lower fee that is reflective of the lower costs to GSD in managing those positions of the Member. Accordingly, FICC believes the proposed fees would be equitably allocated because Members with similar DVP positions would be treated alike under the proposal. With respect to proposed changes to the minimum monthly fee, each account of every Comparison-Only Member and Netting Member would be subject to a minimum monthly fee threshold that reflects the costs of account monitoring. To the extent applicable monthly fees for such an account fall below the proposed minimum monthly fee threshold, then the Comparison-Only Member or the Netting Member, as applicable, would be assessed the minimum monthly fee for that account. FICC believes the proposed changes to the minimum monthly fee would allow FICC to equitably allocate fees that are reflective of the costs of account monitoring among the accounts that are being monitored. FICC believes the proposed rule changes discussed in this paragraph would be reasonable because the proposed fees would be commensurate with the costs of resources allocated by GSD to manage Members' DVP positions and monitor accounts of Comparison-Only Members and Netting Members. In addition, taken collectively, the proposed fee changes are designed to maintain GSD's existing revenue derived from fees associated with the DVP service and the minimum monthly fee, in accordance with the current GSD Fee Structure, which fees have been in effect since January 1, 2016 [24] and July 3, 2000,[25] respectively. Therefore, FICC believes the proposed rule changes to the GSD Fee Structure described in detail in Item II.(A)1.(iii) (entitled ''PROPOSED FEE CHANGES'') to better align pricing with costs of GSD services are consistent with Section 17A(b)(3)(D) of the Act.

Section 17A(b)(3)(F) of the Act requires, in part, that the GSD Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions.[26] The proposed rule changes to make conforming, clarifying, and technical changes, as described in Item II.(A)1.(vi) (entitled ''CONFORMING, CLARIFYING, AND TECHNICAL CHANGES''), would help ensure that the GSD Rules, including the GSD Fee Structure, remain accurate

[18] The term ''Sponsoring Member'' means a Netting Member whose application to become a Sponsoring Member has been approved by the Board pursuant to GSD Rule 3A. *See* GSD Rule 1, Definitions. GSD Rules, *supra* note 3.

[19] *See* GSD Rule 1. GSD Rules, *supra* note 3.

[20] 15 U.S.C. 78q–1(b)(3)(D).

[21] 15 U.S.C. 78q–1(b)(3)(F).

[22] 17 CFR 240.17Ad–22(e)(23)(ii).

[23] 15 U.S.C. 78q–1(b)(3)(D).

[24] *See* Securities Exchange Act Release No. 76840 (January 6, 2016), 81 FR 1450 (January 12, 2016) (FR–FICC–2015–005).

[25] *See* Securities Exchange Act Release No. 43026 (July 12, 2000), 65 FR 44555 (July 18, 2000) (SR–GSCC–00–07).

[26] 15 U.S.C. 78q–1(b)(3)(F).

and clear to Members. Having accurate and clear GSD Rules would help Members to better understand their rights and obligations regarding GSD's clearance and settlement services. When Members better understand their rights and obligations regarding GSD's clearance and settlement services, they can act in accordance with the GSD Rules, which FICC believes would promote the prompt and accurate clearance and settlement of securities transactions by GSD. As such, FICC believes the proposed rule changes to make conforming, clarifying, and technical changes are consistent with Section 17A(b)(3)(F) of the Act.

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.[27] The proposed rule changes to reduce the complexity of the GSD Fee Structure, as described in Item II.(A)1.(iii) (entitled ''PROPOSED FEE CHANGES''), and to make conforming, clarifying, and technical changes, as described in Item II.(A)1.(vi) (entitled ''CONFORMING, CLARIFYING, AND TECHNICAL CHANGES'') would help ensure that the GSD Fee Structure is transparent and clear to Members. Having a transparent and clear GSD Fee Structure would help Members to better understand GSD's fees and help provide Members with increased predictability and certainty regarding the fees they incur in participating in GSD. As such, FICC believes the proposed rule changes to reduce the complexity of the GSD Fee Structure and to make conforming, clarifying, and technical changes are consistent with Rule 17Ad–22(e)(23)(ii) under the Act.

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

FICC believes the proposed rule changes to fees associated with the DVP service to better align GSD's pricing with its costs of services could have an impact on competition because these changes would likely either increase or decrease Members' fees when compared to their fees under the current GSD Fee Structure. FICC believes these proposed rule changes could both burden competition and promote competition by altering Members' fees. When fees are decreased because of these proposed rule changes, the proposal could promote competition by positively impacting Members' operating costs. Conversely, when the proposed rule changes result in fee increases for Members, the proposal could burden competition by negatively affecting Members' operating costs. While some Members may experience large increases in their fees when compared to their fees under the current GSD Fee Structure, FICC does not believe such change in fees would in and of itself mean that the burden on competition is significant. This is because even though the amount of the fee increase may be significant, FICC believes the increase in fees would similarly affect all Members that tend to maintain large directional term repurchase agreement positions[28] and therefore the burden on competition would not be significant. Regardless of whether the burden on competition is deemed significant, FICC believes any burden on competition that is created by the proposed rule changes to fees associated with the DVP service would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.[29]

FICC believes the proposed rule changes to the minimum monthly fee to better align GSD's pricing with its costs of services could have an impact on competition but only to the extent that the minimum monthly fee applies to a Comparison-Only Member's or Netting Member's account(s) (because the minimum monthly fee only applies if the threshold amount is not reached as described above). There would be no impact on competition, however, if an account incurs applicable fees that exceed the proposed minimum monthly fee threshold because the minimum monthly fee would not apply to the account. When the minimum monthly fee would apply, FICC believes the proposed rule changes to the minimum monthly fee could burden competition by increasing Members' fees and thereby negatively affecting such Members' operating costs. FICC does not believe such burden on competition would be significant because the proposed minimum monthly fee would apply equally to all Comparison-Only Members and Netting Members that have minimal activity in their accounts. Regardless of whether the burden on competition is deemed significant, FICC believes any burden on competition that is created by the proposed rule changes to the minimum monthly fee would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.[30]

The proposed rule changes to better align GSD's pricing (*e.g.,* fees associated with the DVP service as well as the minimum monthly fee) with the costs of services would be necessary in furtherance of the purposes of the Act because the GSD Rules must provide for the equitable allocation of reasonable dues, fees, and other charges among its participants.[31] As described above, the proposed rule changes would result in fees that are equitably allocated (by better aligning pricing with costs so that (i) a Member whose positions result in higher costs to GSD for maintaining such positions would be charged a relatively higher fee, and a Member whose positions require less maintenance by GSD would be charged a lower fee and (ii) fees that are reflective of the costs of account monitoring would be allocated among the accounts that are being monitored) and would result in reasonable fees (by being designed to be revenue neutral and commensurate with costs). As such, FICC believes the proposed rule changes to better align GSD's pricing with the costs of services would be necessary in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.[32]

FICC believes any burden on competition that is created by the proposed rule changes to better align GSD's pricing (*e.g.,* fees associated with the DVP service as well as the minimum monthly fee) with the costs of services would also be appropriate in furtherance of the purposes of the Act. The proposed rule changes would provide GSD with the ability to assess fees that are not only reflective of the services utilized by Members but are also commensurate with FICC's increased risk management costs, such as costs of account monitoring, intraday margining, and end of day risk management. Having the ability to assess fees that are reflective of the services provided by GSD and that are commensurate with GSD's costs of providing such services would help GSD to continue providing dependable and stable clearance and settlement services to its Members. As such, FICC believes the proposed rule changes to better align GSD's pricing with the costs of services would be appropriate in furtherance of the purposes of the Act,

[27] 17 CFR 240.17Ad–22(e)(23)(ii).

[28] Though admittedly a fee increase would be more impactful for Members that are smaller than for Members that are larger, FICC believes such difference in impact is due to the relative market positions of the respective Members and not as a result of these proposed rule changes.

[29] 15 U.S.C. 78q–1(b)(3)(I).

[30] *Id.*

[31] 15 U.S.C. 78q–1(b)(3)(D).

[32] 15 U.S.C. 78q–1(b)(3)(I).

as permitted by Section 17A(b)(3)(I) of the Act.[33]

FICC does not believe the proposed rule changes to reduce the complexity of the GSD Fee Structure and to make conforming, clarifying, and technical changes, as discussed above in Items II.(A)1.(iii) and (vi), respectively, would impact competition.[34] The proposed rule changes to address the complexity of the GSD Fee Structure would allow Members to better understand the GSD Fee Structure and allow them more ease in reconciling to it. Making conforming, clarifying, and technical changes to ensure the GSD Fee Structure remains clear and accurate would facilitate Members' understanding of the GSD Fee Structure and their obligations thereunder. Having transparent, accessible, clear, and accurate provisions in the GSD Fee Structure would improve the readability and clarity of the GSD Rules regarding the fees that Members would incur by participating in GSD. These changes would apply equally to all Members and would not affect Members' rights and obligations. As such, FICC believes the proposed rule changes to reduce the complexity of the GSD Fee Structure and to make conforming, clarifying, and technical changes 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

Written comments relating to this proposed rule change have not been solicited or received. 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

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 (*http://www.sec.gov/rules/sro.shtml*); or
- Send an email to *rule-comments@sec.gov.* Please include File Number SR–FICC–2018–003 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–2018–003. 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–2018–003 and should be submitted on or before May 29, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[35]

Eduardo A. Aleman,

Assistant Secretary.

[FR Doc. 2018–09693 Filed 5–7–18; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–83155; File No. SR–FINRA–2018–017]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Extend the Implementation Date of Certain Amendments to FINRA Rule 4210 Approved Pursuant to SR–FINRA–2015–036

May 2, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on April 20, 2018, Financial Industry Regulatory Authority, Inc. (''FINRA'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I and II below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as constituting a ''non-controversial'' rule change under paragraph (f)(6) of Rule 19b–4 under the Act,[3] which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to extend, to March 25, 2019, the implementation date of the amendments to FINRA Rule 4210 (Margin Requirements) pursuant to SR–FINRA–2015–036, other than the amendments pursuant to SR–FINRA–2015–036 that were implemented on December 15, 2016. The proposed rule change would not make any changes to FINRA rules.

The text of the proposed rule change is available on FINRA's website at *http://www.finra.org,* at the principal office of FINRA and at the Commission's Public Reference Room.

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[33] *Id.*

[34] *Id.*

[35] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4.

[3] 17 CFR 240.19b–4(f)(6).