

*Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CHX-2017-05 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-CHX-2017-05. 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 Web site (<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 Web site 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; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CHX-2017-05, and should be submitted on or before April 7, 2017.

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

**Eduardo A. Aleman,**

*Assistant Secretary.*

[FR Doc. 2017-05342 Filed 3-16-17; 8:45 am]

**BILLING CODE 8011-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-80236; File No. SR-FICC-2017-003]

**Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1 Thereto, To Expand the Types of Entities That Are Eligible To Participate in Fixed Income Clearing Corporation as Sponsored Members and Make Other Changes**

March 14, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 1, 2017, Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change. On March 13, 2017, FICC filed Amendment No. 1 to the proposed rule change, which amended and replaced the original filing in its entirety. The proposed rule change, as modified by Amendment No. 1, is described in Items I, II and III below, which Items have been prepared by the clearing agency.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change, as modified by Amendment No. 1 thereto, from interested persons.

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

The proposed rule change consists of amendments to the Government Securities Division ("GSD") Rulebook ("Rules")<sup>4</sup> that would (i) expand the types of entities that are eligible to participate in FICC as Sponsored Members under Rule 3A (Sponsoring Members and Sponsored Members) and (ii) make the following other amendments and clarifications to the Rules:

- Clarify that the "Sponsoring Member Omnibus Account" definition in Rule 1 (Definitions) refers to an "Account" as defined in Rule 1;
- Amend Section 7 of Rule 3A to reference the application of fails charges to a Sponsoring Member Omnibus

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

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

<sup>3</sup> FICC previously filed SR-FICC-2017-003 on March 1, 2017, which is being amended and replaced in its entirety by this proposed rule change.

<sup>4</sup> Capitalized terms not defined herein are defined in the Rules, available at <http://www.dtcc.com/legal/rules-and-procedures>.

Account and to correct certain typographical errors;

- Amend Section 9 of Rule 3A to correct an out-of-date cross-reference to Rule 13 (Funds-Only Settlement);
- Amend Section 10 of Rule 3A to reflect the current Clearing Fund calculation procedures applicable to a Sponsoring Member Omnibus Account and to correct certain out-of-date cross-references to Rule 4 (Clearing Fund and Loss Allocation);
- Amend Section 12 of Rule 3A to reflect the current loss allocation process applicable to Sponsored Member Trades in the event that the Sponsoring Member is insolvent or otherwise in default to FICC and to correct certain out-of-date cross-references to Rule 4 and certain typographical errors;
- Amend Sections 13 and 14 of Rule 3A to correct certain out-of-date cross-references to Rule 21 (Restrictions on Access to Services); and
- Amend Section 15 of Rule 3A to specify the standard with respect to which a Sponsoring Member is deemed by FICC to have knowledge that one of its Sponsored Members is insolvent or is otherwise unable to perform on any of its material contracts, obligations or agreements for purposes of the Sponsoring Member's obligation to inform FICC of such matter.

**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**

This filing constitutes Amendment No. 1 ("Amendment") to Rule Filing SR-FICC-2017-003 ("Rule Filing") previously filed by FICC on March 1, 2017. This Amendment amends and replaces the Rule Filing in its entirety. FICC submits this Amendment in order to clarify the Sponsored Member eligibility requirement as proposed herein.

The proposed rule change would expand the types of entities that are

<sup>19</sup> 17 CFR 200.30-3(a)(12).

eligible to participate in FICC as Sponsored Members under Rule 3A (Sponsoring Members and Sponsored Members).

This filing also contains proposed rule changes that are not related to the proposed expansion of entity types eligible to be Sponsored Members but would provide specificity, clarity and additional transparency to the Rules.

(i) Background on the Proposed Expansion of Sponsored Member Eligibility

In 2005, the Commission approved FICC rule filing SR-FICC-2004-22,<sup>5</sup> which established a Sponsoring Member-Sponsored Member relationship in the Rules. Under Rule 3A (Sponsoring Members and Sponsored Members), Bank Netting Members that are well-capitalized (as defined under applicable regulations) and have at least \$5 billion in equity capital are permitted to sponsor certain institutional firms (Sponsored Members) into GSD membership.

Under Rule 3A, a Sponsoring Member is permitted to submit to FICC for comparison, novation and netting certain types of eligible transactions between itself and its Sponsored Members (Sponsored Member Trades).<sup>6</sup> The Sponsoring Member is required to establish an omnibus account at FICC for all of its Sponsored Members' FICC-cleared activity (Sponsoring Member Omnibus Account),<sup>7</sup> which is separate from the Sponsoring Member's regular netting account. For operational and administrative purposes, FICC interacts solely with the Sponsoring Member as agent for purposes of the day-to-day satisfaction of its Sponsored Members' obligations to FICC, including their securities and funds-only settlement obligations.<sup>8</sup>

Novation of eligible trading activity to FICC provides Sponsoring Members and their Sponsored Members the benefits of FICC's independent risk management and guaranty of completion of settlement of such trading activity. In addition, Sponsoring Members also may be able to offset on their balance sheets their obligations to FICC on Sponsored Member Trades against their obligations to FICC on other eligible FICC-cleared activity, as well as take lesser capital charges than would be required to the extent they engaged in the same trading

activity with their Sponsored Members outside of a central counterparty.<sup>9</sup> By potentially alleviating balance sheet and capital constraints on their Sponsoring Members, participation in FICC as Sponsored Members may afford eligible institutional firms increased lending capacity and income.

Currently, eligibility to become a Sponsored Member is limited to an entity that is a registered Investment Company under the Investment Company Act of 1940,<sup>10</sup> is a "qualified institutional buyer" as defined in Rule 144A<sup>11</sup> under the Securities Act of 1933,<sup>12</sup> and has at least one Sponsoring Member willing to sponsor the entity into GSD membership.<sup>13</sup>

The proposed rule change would eliminate the requirement that a Sponsored Member be a registered Investment Company under the Investment Company Act of 1940. Nevertheless, in order to ensure that Sponsored Members are financially sophisticated, FICC would retain the current requirement that a Sponsored Member be a "qualified institutional buyer" to the extent that its legal entity type falls under one of the enumerated categories of Rule 144A's definition of a "qualified institutional buyer." For institutional firms whose entity types do not clearly fall into one of the enumerated categories in Rule 144A's definition of "qualified institutional buyer," FICC would instead require such Sponsored Members to satisfy the financial requirements that an entity specifically listed in paragraph (a)(1)(i) of Rule 144A must satisfy in order to be a "qualified institutional buyer" as specified in that paragraph. Under this alternative requirement, institutional firms whose entity types are not expressly included within the definition of "qualified institutional buyer" in Rule 144A (such as non-U.S. sovereign wealth funds) would be eligible to be Sponsored Members, provided they satisfy the financial requirements that an entity specifically listed in paragraph (a)(1)(i) of Rule 144A must satisfy in

order to be a "qualified institutional buyer" as specified in that paragraph. Because conceptions of financial sophistication may change with time, FICC believes it is appropriate to tie this requirement to the definition of "qualified institutional buyer" in Rule 144A, as such definition may be amended from time to time.

FICC believes that expanding eligibility to become a Sponsored Member beyond registered Investment Companies under the Investment Company Act of 1940 is appropriate because FICC's risk management of the Sponsoring Member-Sponsored Member relationship occurs primarily at the Sponsoring Member level,<sup>14</sup> and the proposed expansion of the entity types eligible to participate in FICC as Sponsored Members (and the commensurate potential volume increase in novated activity) would not require any changes to FICC's risk management practices applicable to Sponsoring Members or to FICC's operational practices applicable to the comparison, novation, netting and settlement of Sponsored Member Trades.

FICC also believes that the proposed expansion of entity types eligible to participate in FICC as Sponsored Members would help to safeguard the U.S. financial market by lowering the risk of liquidity drain, protecting against fire sale risk,<sup>15</sup> and decreasing settlement and operational risk.

Expanding the types of institutional firms that are eligible to participate in FICC as Sponsored Members and thereby benefit from FICC's guaranty of completion of settlement of their eligible transactions would mitigate the risk of a large scale exit by such firms from the U.S. financial market in a stress scenario and therefore lower the risk of a liquidity drain in such a scenario. Specifically, to the extent institutional firms would otherwise be

<sup>14</sup> For example, a Sponsoring Member is responsible under Section 10 of Rule 3A for posting to FICC the Required Fund Deposit for its Sponsoring Member Omnibus Account, which includes the sum of the stand-alone VaR Charges for each of its Sponsored Members' novated activity calculated separately. In addition, while Sponsored Members are principally liable to FICC for their settlement obligations, a Sponsoring Member is also required under Section 2 of Rule 3A to provide a guaranty to FICC for such obligations. This means that in the event one or more Sponsored Members does not satisfy its settlement obligations, FICC is able to invoke the guaranty provided by the Sponsoring Member.

<sup>15</sup> Fire sale risk is the risk of rapid asset sales of securities held by cash lenders when a dealer defaults. This rapid sale has the potential to create a market crisis because cash lenders are likely to sell large amounts of securities in a short period of time, which could dramatically reduce the price of such securities that such lenders are looking to sell.

<sup>5</sup> Securities Exchange Act Release No. 51896 (June 21, 2005), 70 FR 36981 (June 27, 2005) (SR-FICC-2004-22).

<sup>6</sup> See Rule 1, definition of "Sponsored Member Trades." Rules, *supra* note 4.

<sup>7</sup> See Rule 1, definition of "Sponsoring Member Omnibus Account." *Id.*

<sup>8</sup> See Rule 3A, Sections 5, 6, 7, 8 and 9. *Id.*

<sup>9</sup> Sponsoring Members interested in such relief should discuss this matter with their accounting and regulatory capital experts.

<sup>10</sup> 15 U.S.C. 80a-1 *et seq.* The Sponsoring Member-Sponsored Member relationship has historically been based on a custodial banking arrangement in which the Sponsored Member Trades novated to FICC reflect investments by the Sponsoring Member of a registered Investment Company Sponsored Member's cash through Repo Transactions. However, a custodial banking relationship between a Sponsored Member and its Sponsoring Member(s) is not required under the Rules.

<sup>11</sup> See 17 CFR 230.144A.

<sup>12</sup> 15 U.S.C. 77a *et seq.*

<sup>13</sup> Currently, GSD has one Sponsoring Member and 1422 Sponsored Members.

engaging in the same type of eligible trading activity (e.g., repurchase agreement transactions) outside of a central counterparty, having such activity novated to FICC and subject to FICC's guaranty of completion of settlement would reduce the risk that such institutional firms discontinue such trading activity in a Netting Member default situation.

Similarly, broadening the pool of entities eligible for central clearing at FICC as Sponsored Members would also reduce the potential for market disruption from fire sales. Specifically, in a Netting Member default situation, the more institutional firms participate in FICC as Sponsored Members, the more trading activity with the defaulted Netting Member could be centrally liquidated in an orderly manner by FICC rather than by individual counterparties in potential fire sale conditions.

Moreover, to the extent institutional firms would otherwise be engaging in eligible trading activity (e.g., repurchase agreement transactions) outside of a central counterparty, expanding the pool of entities eligible to participate in FICC as Sponsored Members would also decrease settlement and operational risk in the U.S. financial market in that such trading activity would now be eligible to be netted and subject to guaranteed settlement, novation and independent risk management through FICC.

#### (ii) Detailed Description of the Proposed Rule Changes Related to the Expansion of Sponsored Member Eligibility

##### A. Proposed Changes to Rule 3A, Sections 2(d) and 3(a)

Sections 2(d) and 3(a) of Rule 3A currently require that a Sponsored Member be a registered Investment Company under the Investment Company Act of 1940 and also be a "qualified institutional buyer" as defined in Rule 144A under the Securities Act of 1933.

FICC is proposing to amend Sections 2(d) and 3(a) of Rule 3A to eliminate the requirement that a Sponsored Member be a registered Investment Company under the Investment Company Act of 1940.

FICC is also proposing to amend Sections 2(d) and 3(a) of Rule 3A to permit institutional firms whose entity types are not expressly included within Rule 144A to be Sponsored Members, provided they satisfy the financial requirements that an entity specifically listed in paragraph (a)(1)(i) of Rule 144A must satisfy in order to be a "qualified institutional buyer" as specified in that paragraph.

It should be noted that it is currently and, in connection with the proposed

expansion of entity types eligible to participate in FICC as Sponsored Members, would continue to be the responsibility of each Sponsored Member and its Sponsoring Member(s) to evaluate whether entering into a given Sponsored Member Trade is consistent with a Sponsored Member's legal and regulatory requirements, and that FICC has no responsibility or liability in the event that a Sponsoring Member submits data to FICC for a Sponsored Member Trade that is inconsistent with those requirements.

##### B. Proposed Changes to Rule 3A, Sections 3(c) and 4

To account for the fact that, as proposed, non-U.S. entities that meet the proposed requirements would be permitted to be Sponsored Members, FICC is proposing to amend Section 3(c) of Rule 3A to provide that Sponsored Members that are FFI Members<sup>16</sup> would be required to be FATCA Compliant and to amend Section 4 of Rule 3A to provide that Sponsored Members and their Sponsoring Members would be required to comply with global sanctions laws.<sup>17</sup>

##### (iii) Other Proposed Rule Changes

This filing also contains proposed rule changes that are unrelated to the proposed expansion of entity types eligible to be Sponsored Members. These proposed rule changes would provide specificity, clarity and additional transparency to the Rules as described below.

##### A. Proposed Changes to Rule 1 (Definitions)

FICC is proposing to clarify that the "Sponsoring Member Omnibus Account" definition in Rule 1 (Definitions) refers to an "Account" as defined in Rule 1.

##### B. Proposed Changes to Rule 3A, Section 7

FICC is proposing to amend Section 7 of Rule 3A to reference the application of fails charges<sup>18</sup> to a Sponsoring

Member Omnibus Account in the same manner as such charges are applied to Netting Members pursuant to Rule 11 (Netting System) and to correct certain typographical errors.

With respect to the application of fails charges, in 2009, FICC received Commission approval of a rule filing to impose fails charges on Netting Members, which was an action that had been requested of GSD by the Treasury Markets Practices Group ("TMPG")<sup>19</sup> in order to encourage market participants to resolve fails promptly.<sup>20</sup> The approved rule changes were included in Section 14 of Rule 11 (Netting System) and were stated to apply to Netting Members. As an account of a Netting Member (acting as a Sponsoring Member), FICC has imposed fails charges, if applicable, on Sponsoring Members for their Sponsoring Member Omnibus Accounts since the implementation of the charges in 2009. In reviewing the Rules in connection with this present filing, FICC believes that the application of the fails charges to a Sponsoring Member's Sponsoring Member Omnibus Account should be made clear in Rule 3A for transparency.

##### C. Proposed Changes to Rule 3A, Section 9

FICC is proposing to amend Section 9 of Rule 3A to correct an out-of-date cross-reference to Rule 13 (Funds-Only Settlement).

##### D. Proposed Changes to Rule 3A, Section 10

FICC is proposing to amend Section 10 of Rule 3A to reflect the current Clearing Fund calculation procedures applicable to a Sponsoring Member's Sponsoring Member Omnibus Account. Specifically, FICC is proposing to amend Section 10 of Rule 3A to specify that a Sponsoring Member's Sponsoring Member Omnibus Account Required Fund Deposit would be equal to the sum of the following: (I) The sum of the VaR Charges for all of the Sponsored Members whose activity is represented in the Sponsoring Member Omnibus Account as derived pursuant to Section 1b(a)(i) of Rule 4 (Clearing Fund and Loss Allocation), and (II) all amounts derived pursuant to the provisions of Rule 4 other than pursuant to Section

<sup>16</sup> Pursuant to Rule 1, the term "FFI Member" means "any Person that is treated as a non-U.S. entity for U.S. federal income tax purposes." For the avoidance of doubt, the term FFI Member also includes "any Member that is a U.S. branch of an entity that is treated as a non-U.S. entity for U.S. federal income tax purposes." Rules, *supra* note 4.

<sup>17</sup> Although GSD has Members, including certain Bank Netting Members, which are non-U.S. entities, currently, there are no Sponsoring Members that are non-U.S. entities.

Any future Sponsoring Member or Sponsored Member that is an FFI Member will be subject to the same FATCA Compliance screening and global sanctions screening as any other Member that is a non-U.S. entity.

<sup>18</sup> The term "fails charge" refers to the charge imposed by FICC on Netting Members for a delivery

failure in Treasury Securities or debentures issued by Fannie Mae, Freddie Mac or the Federal Home Loan Banks, pursuant to Section 14 of Rule 11. Rules, *supra* note 4.

<sup>19</sup> The TMPG is a group of market participants that is active in the Treasury securities market and is sponsored by The Federal Reserve Bank of New York.

<sup>20</sup> Securities Exchange Act Release No. 59802 (April 20, 2009), 74 FR 19248 (April 28, 2009) (SR-FICC-2009-03).

1b(a)(i) of Rule 4 computed at the level of the Sponsoring Member Omnibus Account. The proposed rule changes maintain the substance of the calculation of the Required Fund Deposit for a Sponsoring Member's Sponsoring Member Omnibus Account (*i.e.*, the main charges applicable to the individual Sponsored Members in the account are summed and then certain components are applied at the level of the Sponsoring Member Omnibus Account) but update the rules provisions to reflect the current Clearing Fund calculation terminology and delete references to terms that are no longer used in the Rules (such as "Clearing Fund components related to Fail Net Settlement Positions and Funds-Only Settlement amounts").

FICC is also proposing to amend Section 10 of Rule 3A to specify that for purposes of calculating the Unadjusted GSD Margin Portfolio Amount applicable to a Sponsoring Member Omnibus Account, FICC would apply the higher of the Required Fund Deposit calculation as of the beginning of the current Business Day and intraday on the current Business Day.

In 2011, FICC received Commission approval to re-calculate each Business Day, at times established by FICC for this purpose, the amount of the VaR Charge applicable to each Margin Portfolio of a Member, based upon the open, intraday positions of such Margin Portfolio, for purposes of establishing whether a Member would be required to make payment of an additional amount (the Member's "Intraday Supplemental Fund Deposit") to its Required Fund Deposit.<sup>21</sup> The approved rule changes were included in Section 2a of Rule 4 (Clearing Fund and Loss Allocation). Prior to this approval, Clearing Fund requirements (including with respect to a Sponsoring Member's Sponsoring Member Omnibus Account) were calculated once each Business Day. Since the approval of these rule changes in 2011, FICC has calculated the Unadjusted GSD Margin Portfolio Amount applicable to a Sponsoring Member Omnibus Account based on the higher of the Required Fund Deposit calculation as of the beginning of the current Business Day and intraday on the current Business Day. In reviewing the Rules in connection with this present filing, FICC believes that this calculation procedure for the Unadjusted GSD Margin Portfolio Amount applicable to a Sponsoring

Member Omnibus Account should be made clear in Rule 3A for transparency.

FICC is also proposing to amend Section 10 of Rule 3A to correct certain out-of-date cross-references to Rule 4 (Clearing Fund and Loss Allocation).

#### E. Proposed Changes to Rule 3A, Section 12

FICC is proposing to amend Section 12 of Rule 3A to reflect the current loss allocation process applicable to Sponsored Member Trades in the event that the Sponsoring Member is insolvent or otherwise in default to FICC. Specifically, FICC is proposing to amend Section 12 of Rule 3A to specify that any Remaining Loss incurred by FICC would be allocated to the Tier One Netting Members in accordance with the principles set forth in Section 7(d) of Rule 4 (Clearing Fund and Loss Allocation).

In 2011, FICC received Commission approval for its current loss allocation process set forth in Rule 4, which provides for loss mutualization of any Remaining Loss among all Tier One Netting Members.<sup>22</sup> FICC proposes to update references in Section 12 of Rule 3A to reference the current loss allocation process for Tier One Netting Members.

FICC also proposes to amend Section 12 of Rule 3A to correct certain out-of-date cross-references to Rule 4 (Clearing Fund and Loss Allocation) and to correct certain typographical errors.

#### F. Proposed Changes to Rule 3A, Sections 13 and 14

FICC is proposing to amend Sections 13 and 14 of Rule 3A to correct certain out-of-date cross-references to Rule 21 (Restrictions on Access to Services).

#### G. Proposed Changes to Rule 3A, Section 15

FICC is proposing to amend Section 15 of Rule 3A to specify the standard with respect to which a Sponsoring Member is deemed by FICC to have knowledge that one of its Sponsored Members is insolvent or is otherwise unable to perform on any of its material contracts, obligations or agreements for purposes of the Sponsoring Member's obligation to inform FICC of such matter. Specifically, FICC is proposing to specify that if one or more duly authorized representatives of a Sponsoring Member, in its capacity as such, has knowledge that one of its Sponsored Members is insolvent or otherwise unable to perform on any of its material contracts, obligations or agreements, that such knowledge

triggers the Sponsoring Member's obligation to inform FICC of such matter.

#### 2. Statutory Basis

Section 17A(b)(3)(F) of the Act requires, in part, that the Rules be designed to (i) "promote the prompt and accurate clearance and settlement of securities transactions,"<sup>23</sup> and (ii) "remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, and, in general, to protect investors and the public interest."<sup>24</sup>

By expanding the types of entities that may participate in FICC as Sponsored Members, FICC believes that the proposed rule change would help to safeguard the U.S. financial market by lowering the risk of liquidity drain (through FICC's guaranty of completion of settlement for a greater number of eligible transactions), protecting against fire sale risk (through FICC's ability to centralize and control the liquidation of a greater portion of a failed counterparty's portfolio) and decreasing settlement and operational risk (by making a greater number of transactions eligible to be netted and subject to guaranteed settlement, novation and independent risk management through FICC). By lowering the risk of liquidity drain in the U.S. financial market and protecting against fire sale risk, FICC believes the proposed rule change would "protect investors and the public interest" consistent with the requirements of the Act, cited above. By decreasing settlement and operational risk, FICC believes the proposed rule change would also "promote the prompt and accurate clearance and settlement of securities transactions" and "remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions" consistent with the requirements of the Act, cited above.

By providing specificity, clarity, and additional transparency to the Rules, the proposed rule changes to Rule 1 (Definitions) and Rule 3A (Sponsoring Members and Sponsored Members) that are unrelated to the proposed expansion of entity types eligible to be Sponsored Members would provide Members with a better understanding of the Rules, making errors in the performance of their responsibilities to FICC less likely to occur and thereby ensuring that FICC's clearing and settlement system works efficiently. Therefore, FICC

<sup>21</sup> Securities Exchange Act Release No. 63986 (February 28, 2011), 76 FR 12144 (March 4, 2011) (SR-FICC-2010-09).

<sup>22</sup> *Id.*

<sup>23</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>24</sup> *Id.*

believes the proposed rule change would “promote the prompt and accurate clearance and settlement of securities transactions” by FICC and also “remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions” consistent with the requirements of the Act, cited above.

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

FICC believes that the proposed rule changes associated with the expansion of entity types eligible to be Sponsored Members would promote competition by increasing the types of entities that may participate in FICC as Sponsored Members and therefore permit more market participants to utilize FICC’s services.

At the same time, participation in FICC as a Sponsored Member would continue to be limited to legal entities that are either “qualified institutional buyers” as defined in Rule 144A under the Securities Act of 1933, or that otherwise satisfy the financial requirements that an entity specifically listed in paragraph (a)(1)(i) of Rule 144A must satisfy in order to be a “qualified institutional buyer” as specified in that paragraph, and that have at least one Sponsoring Member willing to sponsor them into GSD membership. These limitations may impact institutional firms that are unable to satisfy such eligibility requirements by excluding them from being able to novate their eligible activity to FICC (and avail themselves of the commensurate benefits described in *Section 3(a)(i)—Background on the Proposed Expansion of Sponsored Member Eligibility* above). Nevertheless, FICC believes that any resulting burden on competition would be necessary and appropriate in furtherance of the Act, as permitted by Section 17A(b)(3)(I) of the Act,<sup>25</sup> in light of the fact that such eligibility requirements are designed to allow FICC to ensure the financial sophistication of Sponsored Members and to prudently manage the risk associated with Sponsored Members’ participation in FICC. Moreover, FICC would not restrict the ability of institutional firms to enter into eligible transactions with Netting Members (including Sponsoring Members) outside of GSD.

FICC believes that the proposed changes to Rule 1 (Definitions) and Rule 3A (Sponsoring Members and Sponsored Members) that are unrelated to the proposed expansion of entity types eligible to be Sponsored Members

would not have an impact, nor impose any burden, on competition because each of such proposed changes would simply provide specificity, clarity and additional transparency within the Rules.

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

Written comments relating to the 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, as modified by Amendment No. 1, is consistent with the Act. Comments may be submitted by any of the following methods:

*Electronic Comments*

- Use the Commission’s Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FICC-2017-003 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-2017-003. 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 Web site (<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 Web site 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 Web site (<http://dtcc.com/legal/sec-rule-filings.aspx>). All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FICC-2017-003 and should be submitted on or before April 7, 2017.

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

**Robert W. Errett,**  
*Deputy Secretary.*

[FR Doc. 2017-05403 Filed 3-16-17; 8:45 am]

**BILLING CODE 8011-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-80222; File No. SR-NYSE-2017-09]

**Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Its Price List**

March 13, 2017.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on March 1, 2017, New York Stock Exchange LLC (“NYSE” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to

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

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

<sup>25</sup> 15 U.S.C. 78q-1(b)(3)(I).