

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-69602; File No. SR-FICC-2013-802]

### Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Advance Notice To Include Options on Interest Rate Futures Contracts With Maturities Not Longer Than Two Years in the One-Pot Cross-Margining Program Between the Government Securities Division and New York Portfolio Clearing, LLC

May 17, 2013.

Pursuant to Section 806(e)(1) of the Payment, Clearing, and Settlement Supervision Act of 2010 (“Clearing Supervision Act”)<sup>1</sup> and Rule 19b-4(n)(1)(i)<sup>2</sup> of the Securities Exchange Act of 1934 (“Exchange Act”),<sup>3</sup> notice is hereby given that, on April 15, 2013, the Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) the advance notice described in Items I and II below, which Items have been prepared primarily by FICC. The Commission is publishing this notice to solicit comments on the advance notice from interested persons.

#### I. Clearing Agency’s Statement of the Terms of Substance of the Advance Notice

This advance notice concerns proposed rule changes that would allow FICC to include options on interest rate futures contracts with maturities not longer than two years in the one-pot cross-margining program between FICC’s Government Securities Division (“GSD”) and New York Portfolio Clearing, LLC (“NYPC”).<sup>4</sup>

#### II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Advance Notice

In its filing with the Commission, FICC included statements concerning the purpose of and basis for the advance notice and discussed any comments it received on the advance notice. The text of these statements may be examined at the places specified in Item IV below. FICC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>5</sup>

#### (A) Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Advance Notice

(i) The purpose of the advance notice is to include options on interest rate futures contracts with maturities not longer than two years in the one-pot cross-margining program between the GSD and NYPC.

Background on NYPC and the FICC–NYPC One-Pot Cross-Margining Program

NYPC is registered with the Commodity Futures Trading Commission (“CFTC”) as a derivatives clearing organization (“DCO”) pursuant to Section 5b of the Commodity Exchange Act and Part 39 of the CFTC regulations. NYPC launched operations on March 21, 2011, and currently clears U.S. dollar-denominated interest rate futures contracts. It plans to add options on interest rate futures to its suite of products.

Pursuant to FICC Rule Filing 2010-09,<sup>6</sup> FICC offers “single pot” cross margining of certain positions cleared at NYPC and the GSD. This arrangement is reflected in a cross-margining agreement (“FICC–NYPC Cross-Margining Agreement”) between FICC and NYPC, which is a part of the GSD’s rules. Specifically, certain GSD members are permitted to combine their positions at GSD with their positions at NYPC, or with the positions of certain permitted affiliates that are cleared at NYPC, within a single margin portfolio. Joint GSD–NYPC members or GSD members and their permitted affiliates who wish to participate in the one-pot program must execute the requisite cross-margining participant agreements, which are exhibits to the FICC–NYPC Cross-Margining Agreement.<sup>7</sup>

As noted in FICC Rule Filing 2010-09, FICC is responsible for performing the margin calculations in its capacity as the “Administrator” under the terms of the FICC–NYPC Cross-Margining Agreement. Specifically, FICC determines the combined FICC Clearing Fund and NYPC Original Margin<sup>8</sup> requirement for each cross-margining participant. The FICC–NYPC one-pot margin requirement for each participant

is then allocated between FICC and NYPC in proportion to each clearing organization’s respective “stand-alone” margin requirements—in other words, an amount reflecting the ratio of what each clearing organization would have required from that member if it were not participating in the cross-margining program. The FICC–NYPC Cross-Margining Agreement refers to this as the “Constituent Margin Ratio.”

The FICC–NYPC Cross-Margining Agreement provides that either FICC or NYPC may, at any time, require additional margin to be deposited by a participant (above what is calculated under the FICC–NYPC Cross-Margining Agreement) based upon the financial condition of the participant, unusual market conditions or other special circumstances. The standards that FICC proposed in Rule Filing 2010-09 to use for these purposes are the standards contained within the GSD’s rules currently, so that notwithstanding the calculation of a participant’s Clearing Fund requirement pursuant to the FICC–NYPC Cross-Margining Agreement, FICC still retains the rights contained within the GSD’s rules to require an additional Clearing Fund deposit under the circumstances specified in the GSD’s rules. For example, the GSD’s rules currently provide that, if a Dealer Netting Member<sup>9</sup> falls below its minimum financial requirement, it shall be required to make an additional Clearing Fund deposit equal to the greater of (i) \$1 million or (ii) 25 percent of its Required Fund Deposit.<sup>10</sup>

In the event of the insolvency or default of a member that participates in the one-pot cross-margining arrangement, the positions in such member’s FICC–NYPC one-pot portfolio (including, when applicable, the positions of its permitted margin affiliate at NYPC) will be liquidated by FICC and NYPC as a single portfolio, and the liquidation proceeds will be applied to the defaulting member’s obligations to FICC and NYPC in accordance with the provisions of the FICC–NYPC Cross-Margining Agreement. The FICC–NYPC Cross-Margining Agreement provides for the sharing of losses by FICC and NYPC in the event that the one-pot portfolio

<sup>6</sup> The Commission approved this rule filing on February 28, 2011. See Securities Exchange Act Release No. 63986 (Feb. 28, 2011); 76 FR 12144 (Mar. 4, 2011) (SR-FICC-2010-09).

<sup>7</sup> GSD members and NYPC members are also permitted to cross margin in the single pot the activity of their market professional customers. See Securities Exchange Act Release No. 66989 (May 15, 2012); 77 FR 30032 (May 21, 2012) (SR-FICC-2012-03).

<sup>8</sup> Original Margin is NYPC’s equivalent of the GSD’s Clearing Fund.

<sup>9</sup> The GSD’s rules define the term “Dealer Netting Member” as “a Registered Government Securities Dealer that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated. . . .” GSD Rulebook, Rule 2A, Section 2.

<sup>10</sup> The GSD’s rules define the term “Required Fund Deposit” as “the amount a Netting Member is required to deposit to the Clearing Fund.” GSD Rulebook, Rule 1.

<sup>1</sup> 12 U.S.C. 5465(e)(1).

<sup>2</sup> 17 CFR 240.19b-4(n)(1)(i).

<sup>3</sup> 15 U.S.C. 78q-1.

<sup>4</sup> NYPC is jointly owned by NYSE Euronext and The Depository Trust & Clearing Corporation (“DTCC”).

<sup>5</sup> The Commission has modified the text of the summaries prepared by FICC.

margin deposits of a defaulting participant are not sufficient to cover the losses resulting from the liquidation of that participant's trades and positions, which is covered in detail in FICC Rule Filing 2010–09, and is reflected in the terms of the FICC–NYPC Cross-Margining Agreement.

According to FICC, the addition of options on interest rate futures to the one-pot cross-margining arrangement does not require any changes to the terms of the FICC–NYPC Cross-Margining Agreement. FICC would continue to act as the Administrator for purposes of margin calculations if the proposed rule changes were approved. The loss-sharing provisions in the FICC–NYPC Cross-Margining Agreement that would apply in the event of a participant's default would remain unchanged under this proposal, as well.

#### Proposal To Include Options on Interest Rate Futures in the One-Pot Cross-Margining Arrangement

FICC proposes to add options on interest rate futures contracts with maturities not longer than two years to the one-pot cross-margining arrangement. NYPC will act as the DCO for such products.

FICC observes that options on interest rate futures are a well-established, standardized product traded and cleared by futures exchanges<sup>11</sup> around the globe, including the Chicago Mercantile Exchange (“CME”).<sup>12</sup> FICC states that the key risks associated with adding options on interest rate futures to the one-pot cross-margining arrangement relate to the ability of FICC and NYPC to properly model, test and monitor the risks that options on interest rate futures present to the clearing organizations. Consistent with FICC's quantitative policy for new initiatives, any new models or enhancements are subject to external review before they are utilized. FICC avers that the options proposal has followed this protocol, and that a team of external reviewers has tested the models and validated their methodology.

FICC asserts that, in the case of options on interest rate futures that are physically deliverable, the addition of

options on interest rate futures to the one-pot cross-margining arrangement will not alter the manner in which physical deliveries occur. According to FICC, upon exercise or assignment of an option, the resulting futures position will be treated as a traded futures contract, with the same delivery obligations if the resulting futures position is not closed out prior to delivery. In general, delivery of U.S. Treasury futures can be submitted to FICC by NYPC on a locked-in basis and processed in accordance with FICC's rules (when such futures are submitted to FICC, they are no longer futures contracts but rather are in the form of buy-sells eligible for processing at the GSD).

FICC asserts that it will submit a separate rule filing to the Commission seeking approval for the inclusion in the single pot of longer-dated interest rate options products. FICC contends that it will also conduct appropriate testing and analysis of any future changes to the options model and, consistent with FICC's quantitative policy for new initiatives, submit the model for external review.

#### Risk Considerations Regarding the Proposal To Include Options on Interest Rate Futures in the One-Pot Cross-Margining Arrangement

FICC states that its methodology for managing the risks associated with options on interest rate futures that will be included in the one-pot cross-margining arrangement has three pillars: (i) Value-at-Risk (“VaR”) with historical simulation, (ii) the Barone-Adesi & Whaley (“BAW”) approximation, and (iii) the Stochastic Alpha, Beta, Rho (“SABR”) volatility model.

According to FICC, the historical-simulation-based VaR model proposed for options on interest rate futures to be included in the one-pot cross-margining arrangement is the same model utilized in the current one-pot cross-margining arrangement between NYPC and the GSD, which is described in FICC Rule Filing 2010–09. FICC contends that the backbone of this VaR model—namely, the three-day/one-day liquidation period assumption for cash and derivatives positions, respectively; the 99th percentile confidence level; the one-year look-back period and the use of a linear interpolation/front-weighting mechanism to arrive at the 99th percentile threshold from simulated profits and losses—will remain the same when options on interest rate futures are added to FICC–NYPC one-pot portfolios.

FICC asserts that the BAW approximation is the pricing function that FICC and NYPC will use to estimate

the value of options on interest rate futures within the Black-Scholes-Merton framework. FICC also contends that the SABR volatility model will be used to estimate volatility curves for various options series.

As noted above, a three-day liquidation period is assumed for cash positions cleared by FICC, whereas a one-day liquidation period is assumed for futures positions cleared by NYPC. FICC states that options on interest rate futures in the one-pot cross-margining arrangement will also be subject to a one-day liquidation requirement because options and futures share a similar liquidity profile. FICC contends that this is also consistent with CFTC requirements. FICC further observes that each cross-margining participant's FICC–NYPC one-pot margin requirement is currently subject to a daily back test, and that a “coverage component” is applied and charged to the participant in the event the daily back test reflects insufficient coverage. FICC states that options on interest rate futures in the one-pot cross-margining arrangement will be subject to this daily testing.

FICC asserts that the one-pot FICC–NYPC VaR model will account for the non-linear risk posed by the addition of options on interest rate futures to the one-pot cross-margining arrangement by performing full revaluation of such options using BAW and SABR. As options on interest rate futures can exhibit magnified exposure in extreme market conditions, FICC is proposing to employ the additional tools described below:

#### 1. Minimum Margin Charge for Portfolios That Include Options

Similar to the practice FICC's Mortgage-Backed Securities Division uses to address potential mark-to-market offset of margin requirements, FICC and NYPC are proposing to apply a floor margin charge of five basis points of the gross market value of positions in options on interest rate futures to the unadjusted Required Fund Deposit of GSD Netting Members with one-pot portfolios that include options on interest rate futures. Therefore, for GSD Netting Members with one-pot portfolios that include options on interest rate futures, their minimum Required Fund Deposit will be the greater of: (i) The current minimum Required Fund Deposit as prescribed in GSD Rule 4, Section 2; or (ii) the proposed floor margin charge.

#### 2. Short Option Minimum Charge

To address the risk associated with short positions in deep out-of-the-

<sup>11</sup> Exchanges that list options on interest rate futures include the following: (i) CME (US); (ii) CBOT (a subsidiary of CME); (iii) BM&F (Brazil); (iv) NYSE LIFFE (UK); (v) Eurex (Germany); (vi) ASX (Australia); (vii) Montreal Exchange (Canada); (viii) SGX (Singapore); and (ix) TFX (Japan).

<sup>12</sup> Options on interest rate futures are currently included in the “two-pot” cross-margining arrangement between FICC and the CME. The cross-margining agreement between FICC and the CME is incorporated in the GSD's Rules and may be found on the DTCC Web site, [www.dtcc.com](http://www.dtcc.com).

money (“OTM”) options, FICC and NYPC propose to introduce a short option minimum (“SOM”) for options on interest rate futures in the one-pot cross-margining arrangement. The SOM will apply only to options on interest rate futures with a settlement price of “cabinet.”<sup>13</sup> FICC notes that these options demonstrate minimum price volatility in normal market conditions, but may potentially become volatile when market conditions change dramatically. In light of the losses that such options may cause, FICC proposes to apply an SOM charge to any short position in these options.

### 3. Out-of-the-Money Options Surcharge

FICC and NYPC also propose to impose a surcharge on all OTM options positions in the one-pot cross-margining arrangement in order to address any potential biases in the BAW options pricing model. The amount of the surcharge will be determined by the moneyness of the options position.

### 4. Options Stress Testing

In addition to the regular stress testing practices utilized by FICC and NYPC, FICC proposes to conduct monthly hypothetical implied volatility stress tests of FICC–NYPC one-pot portfolios, including options on interest rate futures, in order to analyze specifically the non-linear tail risks associated with options products.

### Proposed Rule Changes

FICC’s proposal to add options on interest rate futures to the one-pot cross-margining arrangement requires that Rule 4, Section 2 of GSD’s rulebook be changed to include a reference to the proposed minimum margin charge discussed above. Technical clarifications to certain GSD Rules would also be required in order to make it clear that options on interest rate futures will be included in the arrangement. Specifically, FICC is proposing to make technical clarifications to the following: (i) The definitions of “CFTC-Recognized Clearing Organization” and “Eligible Positions” set forth in Rule 1; (ii) Section 5a of GSD Rule 13, and (iii) subsection (b) of GSD Rule 29. As noted above, no changes are required to be made to the FICC–NYPC Cross-Margining Agreement itself.

(ii) FICC believes the proposed rule changes described above are consistent

with the purposes and requirements of Section 17A of the Exchange Act<sup>14</sup> and the rules and regulations promulgated thereunder. FICC contends that these proposed changes may increase the available offsets among positions held at FICC and NYPC, which, in turn, may allow a more efficient use of member collateral and promote additional efficiencies in the marketplace. FICC therefore believes the proposed rule changes would support the prompt and accurate clearance and settlement of securities transactions.<sup>15</sup> FICC further believes that, as it will implement the proposed rule changes using the enhanced risk-management measures discussed above, the proposed rule changes will also be consistent with the Exchange Act because they will help to assure the safeguarding of the securities and funds in FICC’s custody and control.<sup>16</sup>

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

FICC does not believe that the proposed rule changes described above will have any negative impact, or impose any burden, on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act.

### (C) Clearing Agency’s Statement on Comments on the Advance Notice Received From Members, Participants, or Others

Written comments relating to the advance notice have not yet been solicited or received. FICC will notify the Commission of any written comments received by FICC.

### (D) Anticipated Effect on and Management of Risk

FICC is filing these proposed rule changes as an advance notice pursuant to Section 806(e)(2) of Clearing Supervision Act because it believes the proposed changes could be deemed to affect materially the nature or level of risks presented by FICC. FICC believes that the proposed rule changes will not impair its ability to manage these risks. As described in Section (A) above, FICC has enhanced its risk-management framework to account for the added risks posed by including options on interest rate futures with a maturity of

less than two years in the one-pot cross-margining arrangement. This framework has three pillars: (i) VaR with historical simulation, (ii) BAW approximation, and (iii) the SABR volatility model. Options on interest rate futures in the one-pot cross-margining arrangement will also be subject to a one-day liquidation requirement, as these products’ liquidity profile is similar to that of futures, and because this is consistent with CFTC requirements. In addition, each cross-margining participant’s FICC–NYPC one-pot margin requirement is currently subject to a daily back test, and a “coverage component” is applied and charged to the participant in the event the daily back test reflects insufficient coverage. Options on interest rate futures in the one-pot cross-margining arrangement will be subject to this daily testing.

The one-pot FICC–NYPC VaR model will account for the non-linear risk posed by the addition of options on interest rate futures to the one-pot cross-margining arrangement by performing full revaluation of such options using the BAW and SABR methodologies. Because options on interest rate futures may exhibit magnified exposure in extreme market conditions, FICC is proposing to employ the following additional tools, as described above: (1) A minimum margin charge for portfolios including options, (2) an SOM charge, (3) an OTM options surcharge, and (4) options stress testing.

### III. Date of Effectiveness of the Advance Notice and Timing for Commission Action

A clearing agency may implement a proposed change pursuant to Section 806(e)(1)(G) of the Clearing Supervision Act<sup>17</sup> if the Commission does not object to the proposed change within 60 days of the later of: (i) The date the advance notice was filed with the Commission; or (ii) the date the Commission receives any further information it requests in order to facilitate its review of the notice. The clearing agency shall not implement the proposed change if the Commission has any objection to the proposed change.

The Commission may extend the period for review by an additional 60 days if the proposed change raises novel or complex issues, subject to the Commission providing the clearing agency with prompt written notice of the extension. A proposed change may be implemented in less than 60 days from the date the advance notice is filed, or the date the Commission receives any further information it has

<sup>13</sup> The minimum price increment for futures or options on futures is normally referred to as a “tick.” For options on futures whose value is less than one tick, trading and settlement in the options are allowed at a price that is less than a tick. This latter price is known as “cabinet.”

<sup>14</sup> 15 U.S.C. 78q–1.

<sup>15</sup> 15 U.S.C. 78q–1(b)(3)(F) (requiring that a clearing agency’s rules be designed to “promote the prompt and accurate clearance and settlement of securities transactions. . .”).

<sup>16</sup> 15 U.S.C. 78q–1(b)(3)(A) (requiring a clearing agency to have the capacity to “safeguard securities and funds in its custody or control or for which it is responsible. . .”).

<sup>17</sup> 12 U.S.C. 5465(e)(1)(G).

requested, if the Commission notifies the clearing agency in writing that it does not object to the proposed change and authorizes the clearing agency to implement the proposed change on an earlier date, subject to any conditions imposed by the Commission.

The proposal shall not take effect until all regulatory actions required with respect to the proposal are completed.<sup>18</sup> The clearing agency shall post notice on its Web site of proposed changes that are implemented.<sup>19</sup>

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the advance notice is consistent with the Clearing Supervision 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 No. SR-FICC-2013-802 on the subject line.

##### Paper Comments

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

All submissions should refer to File No. SR-FICC-2013-802. 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 of submission. The

<sup>18</sup> FICC also filed the proposals contained in this advance notice as a proposed rule change under Section 19(b)(1) of the Act and Rule 19b-4 thereunder, seeking Commission approval to permit it to change its rules to reflect the proposed changes in this advance notice. Securities Exchange Act Release No. 69470 (Apr. 29, 2013), 78 FR 26093 (May 3, 2013) (File No. SR-FICC-2013-02). Pursuant to Section 19(b)(2) of the Exchange Act, within 45 days of the date of publication of the proposed rule change 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. 15 U.S.C. 78s(b)(2)(A). The Commission will consider all public comments received on these proposed changes regardless of whether the comments are submitted in response to the proposed rule change (File No. SR-FICC-2013-02) or this advance notice (File No. SR-FICC-2013-802).

<sup>19</sup> See 17 CFR 240.19b-4(n)(4).

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 advance notice that are filed with the Commission, and all written communications relating to the advance notice 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 such filings also will be available for inspection and printing at the principal office of FICC and on FICC's Web site at [http://dtcc.com/downloads/legal/rule\\_filings/2013/ficc/AN\\_FICC\\_2013\\_802.pdf](http://dtcc.com/downloads/legal/rule_filings/2013/ficc/AN_FICC_2013_802.pdf). 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 No. SR-FICC-2013-802 and should be submitted on or before June 13, 2013.

By the Commission.

**Kevin M. O'Neill,**

*Deputy Secretary.*

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**BILLING CODE 8011-01-P**

## SMALL BUSINESS ADMINISTRATION

### SBIR/STTR Phase I to Phase II Transition Benchmarks

**AGENCY:** U.S. Small Business Administration.

**ACTION:** Notice for Small Business Innovation Research Program Phase I to Phase II Transition Benchmarks; Amended.

**SUMMARY:** The Small Business Administration (SBA) is soliciting comments on proposed amendments to the SBIR/STTR Phase I to Phase II transition rate benchmark Table, which was originally published in the **Federal Register** on October 16, 2012. The Table will be amended to change the transition benchmark rate for the U.S. Department of Transportation (DOT) from the current rate of 0.45 to 0.25, and to change the length of the time period used to calculate the transition rate for the Environmental Protection Agency (EPA) and the Department of Education

(ED) from the current length of 10 years to 5 years.

**DATES:** *Effective Date:* The amended rate is effective July 22, 2013.

*Comment Date:* Comments must be received on or before July 8, 2013.

**ADDRESSES:** Comments may be submitted to Edsel Brown, Jr., Assistant Director, Office of Innovation, Small Business Administration, 409 Third Street SW., Washington, DC 20416; or email to [Technology@sba.gov](mailto:Technology@sba.gov).

**FOR FURTHER INFORMATION CONTACT:** Edsel Brown, Jr., Assistant Director, Office of Innovation at the address listed above, or telephone (202) 205-6450.

**SUPPLEMENTARY INFORMATION:** Section 4(a)(3)(iii) of the SBIR Policy Directive (77 FR 46806) and the STTR Policy Directive (77 FR 46855) require each agency to establish an SBA-approved Phase I-Phase II Transition Rate benchmark for the minimum required number of Phase II awards the applicant must have received relative to a given number of Phase I awards during a specified period. Section 5165 of the SBIR/STTR Reauthorization Act of 2011, requires SBA to publish the approved benchmarks and any subsequent changes to the benchmarks in the **Federal Register** and solicit comments from the public at least 60 days before the benchmarks can take effect. As a result, on October 16, 2012, at 77 FR 63410, SBA published the required notice in the **Federal Register** announcing that the Agency had approved the benchmarks for the 11 SBIR/STTR participating agencies and requested comments on those benchmarks. The benchmarks, including the required transition rates and the time period used to calculate the rates, were subsequently published on [www.sbir.gov](http://www.sbir.gov).

The approved and published transition benchmark rate for DOT is currently 0.45 and DOT uses a five year period for the benchmark calculation. DOT is revising its benchmark rate from 0.45 to 0.25. After review of the transition rates, DOT concludes that a benchmark rate of 0.25 is more appropriate for its SBIR program than the benchmark rate of 0.45. DOT is interested in providing small businesses with an ample opportunity to participate in its SBIR program and considers the lower rate to be more consistent with the innovative and exploratory nature of SBIR Phase I research. DOT is not changing the time period used for this benchmark.

The approved and published time period used by EPA and ED for this benchmark calculation is currently 10 years. EPA and ED have concluded that