comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–CboeBZX–2022–045 and should be submitted on or before September 21, 2022.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[49]

**J. Matthew DeLesDernier,**

*Deputy Secretary.*

[FR Doc. 2022–18764 Filed 8–30–22; 8:45 am]

**BILLING CODE 8011–01–P**

## SECURITIES AND EXCHANGE COMMISSION

**[Release No. 34–95605; File No. SR–FICC–2022–005]**

## Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving Proposed Rule Change To Revise the Formula Used To Calculate the VaR Charge for Repo Interest Volatility

August 25, 2022.

### I. Introduction

On June 29, 2022, Fixed Income Clearing Corporation (''FICC'') filed with the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] proposed rule change SR–FICC–2022–005. The proposed rule change was published for comment in the **Federal Register** on July 15, 2022.[3] The Commission did not receive any comment letters on the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

### II. Description of the Proposed Rule Change

FICC proposes to amend its Government Securities Division (''GSD'') [4] Quantitative Risk Management (''QRM'') Methodology Document—GSD Initial Market Risk Margin Model (''QRM Methodology Document'') [5] in order to (i) revise the formula FICC uses to calculate the Value at Risk charge (''VaR Charge'') [6] margin component for repurchase agreement (''repo'') interest volatility, and (ii) make certain technical and conforming changes.

*A. Background*

Repos involve a pair of transactions between two parties. The first transaction consists of the sale of securities, in which one party (the ''cash borrower'') delivers securities in exchange for the other party's (the ''cash lender'') delivery of cash. The second transaction occurs on a date after that of the first transaction and consists of a repurchase of the securities, in which the obligations to deliver cash and securities are reversed. FICC's members submit repos to FICC for matching, comparison, risk management, and ultimately, net settlement. FICC guarantees that the cash borrower receives its repo collateral back at the close of a repo transaction, while the cash lender receives the amount paid at the repo's start, plus interest. Interest on a repo transaction is the difference between the repurchase settlement amount and the start amount paid on the repo inception date.

A key tool that FICC uses to manage its credit exposures to its members is the daily collection of margin from each member. The aggregated amount of all members' margin constitutes the Clearing Fund,[7] which FICC would be able to access should a defaulted member's own margin be insufficient to satisfy losses to FICC caused by the liquidation of that member's portfolio. Each member's margin consists of a number of applicable components, including the VaR Charge which is designed to capture the potential market price risk associated with the securities in a member's portfolio.[8] The VaR Charge is typically the largest component of a member's margin requirement. FICC designed the VaR Charge to cover FICC's projected liquidation losses with respect to a defaulted member's portfolio at a 99 percent confidence level.

The VaR Charge includes, among other things, a component that addresses repo interest volatility (the ''repo interest volatility charge'').[9] The QRM Methodology Document describes FICC's formula for calculating the repo interest volatility charge. The market value of interest payments for the duration of a repo transaction are subject to the risk of movements of the market repo interest rates. Since FICC guarantees the repo interest payment to the cash lenders, FICC must mitigate the risk arising out of fluctuations in market repo interest rates for a specified period of time after a member default.[10]

Under the current formula, the repo interest positions for a given member portfolio are put into different risk buckets based on (i) whether the underlying repo trade is a generic repo trade or a special repo trade,[11] and (ii) the time to settlement of the underlying repo trade. FICC assesses the repo interest volatility charge by applying a haircut schedule to the different risk buckets, with a single haircut rate applied to each risk bucket after netting the short and long repo interest positions within the relevant bucket. The total net amount of each risk bucket equals the sum of the products of the repo start amount and the time to settlement of each repo interest position in that risk bucket. If the total net amount is positive (*i.e.,* long), FICC applies a long repo haircut rate to the total net amount for that risk bucket to calculate the repo interest volatility charge for that risk bucket. If the total net amount is negative (*i.e.,* short), FICC applies a short repo haircut rate to the absolute value of the total net amount for that risk bucket to calculate the repo interest volatility charge for that risk bucket. The total repo interest volatility charge for a member's portfolio is the sum of the repo interest volatility charges of all of the risk buckets in the portfolio. Accordingly, the current formula reflects a repo interest rate

[49] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4.

[3] Securities Exchange Act Release No. 95256 (July 12, 2022), 87 FR 42524 (July 15, 2022) (SR–FICC–2022–005) (''Notice'').

[4] FICC operates two divisions, GSD and the Mortgage Backed Securities Division (''MBSD''). GSD provides trade comparison, netting, risk management, settlement, and central counterparty (''CCP'') services for the U.S. Government securities market, including repos. MBSD provides the same services for the U.S. mortgage-backed securities market. GSD and MBSD maintain separate sets of rules, margin models, and clearing funds. The proposed rule change relates solely to GSD.

[5] FICC filed an excerpt of the QRM Methodology Document showing the proposed changes as a confidential exhibit to this proposed rule change, pursuant to 17 CFR 240.24–b2. FICC originally filed the QRM Methodology Document confidentially as part of a previous proposed rule change and advance notice approved by the Commission regarding FICC's GSD sensitivity VaR. *See* Securities Exchange Act Release Nos. 83362 (June 1, 2018), 83 FR 26514 (June 7, 2018) (SR–FICC–2018–001) and 83223 (May 11, 2018), 83 FR 23020 (May 17, 2018) (SR–FICC–2018–801).

[6] Capitalized terms not defined herein are defined in FICC's GSD Rulebook, *available at https://www.dtcc.com/~/media/Files/Downloads/legal/rules/ficc_gov_rules.pdf* (''Rules'').

[7] *See* Rule 4 of the Rules, *supra* note 6.

[8] *See* Rule 1 of the Rules, *supra* note 6.

[9] Currently, the repo interest volatility constitutes approximately 3 percent of the total GSD margin (at the CCP level). *See* Notice, *supra* note 3, at 42524.

[10] This time period is currently set at three days, which represents the duration of time that FICC would be subject to market risk after a member default, starting from the time of the last successful margin collection to the time the market risk exposure is effectively mitigated. *See* Notice, *supra* note 3, at 42524.

[11] FICC designates repo trades as either generic or special depending on how the repo rate of the trade's particular collateral compares to the prevailing market rates of similar repo transactions.

index [12] driven approach where a single repo haircut rate is applied to the absolute value of the total net amount of each risk bucket of repo interest positions.[13] The QRM Methodology Document, which was filed confidentially, contains a detailed description of the repo haircut rate calculation for all risk buckets.

Based on FICC's 2020 and 2021 annual model validation reports,[14] the rolling 12-month backtesting coverage on members' repo interest positions were below the 99 percent coverage target from June 2019 to September 2020. Additionally, FICC conducted an impact study for the period of January 2018 to February 2022 (''Impact Study''),[15] which demonstrated a backtesting coverage ratio of 98.7 percent for the repo interest volatility charge during that time period. To address these deficiencies, FICC proposes to change the formula for calculating the repo interest volatility charge to improve backtesting coverage and provide FICC with greater flexibility than the current formula to calculate the repo interest volatility charge in a manner that is more responsive to rapidly changing market conditions.

*B. Proposed Rule Change*

1. New Formula for Calculating Repo Interest Volatility Charge

The proposed formula is similar to the current formula in certain respects. For example, the proposed formula would continue to rely upon repo interest rate indices and would use a similar mathematical calculation as the current formula. In addition, under the proposed formula, the repo interest positions for a given member portfolio would continue to be placed into risk buckets based on the same criteria used currently, that is, (i) whether the underlying repo trade is a generic repo trade or a special repo trade, and (ii) the time to settlement of the underlying repo trade. Finally, the total repo interest volatility charge for the portfolio would continue to be the sum of the repo interest volatility charges of all of the risk buckets in the portfolio.

However, unlike the current formula, the proposed formula provides FICC with the flexibility to apply more than one repo haircut rate to each risk bucket because FICC would no longer apply the repo haircut rate based on whether the total net amount for a specific risk bucket is long or short. Instead, FICC proposes to apply a specific repo haircut rate based on whether the individual repo interest position in a given risk bucket is either long or short. That is, FICC would apply a long repo haircut rate to all long positions and a short repo haircut rate to all short positions, in each risk bucket. The long positions and the short positions could offset each other within the same risk bucket, but could not offset each other across different risk buckets. The repo interest volatility charge for a specific risk bucket would be the absolute value [16] of the sum of the products of repo start amount, time to settlement, and repo haircut rate of the individual repo interest positions in the risk bucket. Thus, by allowing FICC to use two haircuts for each risk bucket, one for long positions and the other for short positions,[17] the proposal would enable FICC to respond to rapidly changing market conditions more quickly and timely.[18]

2. Add Bid-Ask Spread To Repo Haircut Rates

FICC also proposes to add a repo bid/ask spread to each repo haircut rate (one for long positions and one for short positions) within the same risk bucket. FICC would calculate the repo bid/ask spread based on the historical percentile movements of FICC's internally constructed repo interest rate indices. FICC states that this change would account for the difference observed in the repo market between the highest rate a repo participant is willing to pay to borrow money in a repo trade and the lowest rate a repo participant is willing to accept to lend money in a repo trade. FICC believes that adding the repo bid/ask spread to each of the repo haircut rates would improve backtesting coverage, particularly with respect to sub-portfolios of repo interest only positions.[19]

Based on the Impact Study, had the proposed new formula and repo bid-ask spread been in place during the period of January 2018 to February 2022, the CCP-level backtesting coverage ratio for the repo interest volatility charge would have increased from approximately 98.7 percent to 99.2 percent.[20]

3. Remove Description of Repo Haircut Rate Calculations

As stated above, the QRM Methodology Document currently contains a detailed description of the repo haircut rate calculation for all risk buckets. FICC proposes to eliminate this detailed description from the QRM Methodology Document and replace it with a more general description of the repo haircut rate calculation. FICC proposes to describe the detailed calculations of the repo haircut rates in an internal standalone document.

FICC believes a more general description of the repo haircut rate calculation would be sufficient for the QRM Methodology Document, and would provide FICC with greater flexibility to respond to rapidly changing market conditions more quickly and timely by enabling FICC to adjust the calculation.[21] Nonetheless, FICC acknowledges that any future changes to the repo haircut rate calculations would continue to follow DTCC's internal model governance procedure as described in the Clearing Agency Model Risk Management Framework.[22] Moreover, pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street Reform and

[12] FICC has developed its repo interest rate indices using its delivery-versus-payment repo transactions. *See* Notice, *supra* note 3, at 42525.

[13] For a detailed example of the current repo interest volatility charge calculation, please refer to the Notice, *supra* note 3, at 42525.

[14] Pursuant to 17 CFR 240.24-b2, FICC filed excerpts of (1) the GSD Initial Market Risk Margin Models: Model Validation Report, July 2021, and (2) the Depository Trust and Clearing Corporation (''DTCC'') Model Validation Report/GSD Initial Market Risk Margin Models, July 2020, in a confidential Exhibit 3 to this proposed rule change.

[15] Pursuant to 17 CFR 240.24-b2, FICC filed a summary of the Impact Study in a confidential Exhibit 3 to this proposed rule change. The Impact Study

[16] The repo interest volatility charge would always be a positive number because the calculation is based on the absolute value of the sum of the relevant amounts.

[17] As an initial matter, FICC would set the repo haircut rates for long positions and short positions to be the same rate, *i.e.,* the larger of the two rates, so that the long and short positions in a specific risk bucket would be subject to the same repo haircut rate.

[18] *See* Notice, *supra* note 3, at 42525.

[19] *Id.*

[20] *See* Notice, *supra* note 3, at 42526.

[21] *See* Notice, *supra* note 3, at 42526. Specifically, FICC states that the more general description would allow it to adjust the calculation without needing to submit a proposed rule change pursuant to Rule 19b–4, 17 CFR 240.19b–4. *Id.*

[22] *Id.* The Clearing Agency Model Risk Management Framework (''Framework'') sets forth the model risk management practices that FICC and its affiliates, The Depository Trust Company and National Securities Clearing Corporation, follows to identify, measure, monitor, and manage the risks associated with the design, development, implementation, use, and validation of quantitative models. *See* Securities Exchange Act Release Nos. 81485 (August 25, 2017), 82 FR 41433 (August 31, 2017) (File Nos. SR–DTC–2017–008; SR–FICC–2017–014; SR–NSCC–2017–008), 88911 (May 20, 2020), 85 FR 31828 (May 27, 2020) (File Nos. SR–DTC–2020–008; SR–FICC–2020–004; SR–NSCC–2020–008), 92380 (July 13, 2021), 86 FR 38140 (July 19, 2021) (File No. SR–FICC–2021–006), 92381 (July 13, 2021), 86 FR 38163 (July 19, 2021) (File No. SR–NSCC–2021–008) and 92379 (July 13, 2021), 86 FR 38143 (July 19, 2021) (File No. SR–DTC–2021–003). Consistent with this obligation, FICC proposes to specifically state in the QRM Methodology Document that any changes or adjustments to the repo haircut rate calculation would need to go through this model governance process.

Consumer Protection Act (''Dodd-Frank Act'') and Rule 19b–4(n)(1)(i) under the Act, FICC would be required to file an advance notice with the Commission for any proposed change to the repo haircut rate calculation that would materially affect the nature or level of risks presented by FICC.[23] Additionally, FICC tracks the repo haircut rates in a monthly model parameter report, which is provided to the Commission in its supervisory capacity.[24]

FICC believes that enhancing its ability to quickly adjust the repo haircut rate calculation would better enable FICC to manage the risks of its members' repo interest positions.[25] Specifically, FICC believes the proposed change would enable FICC to make appropriate and timely adjustments to the repo haircut rates based on an evaluation of a number of factors, including, but not limited to, repo interest rate volatility outlook and backtesting coverage results.[26] Furthermore, FICC has identified certain known data availability limitations with respect to the current repo interest rate index.[27] Specifically, the current repo interest rate index is missing data for a volatile period, such that repo haircut rates calibrated based on the current repo interest rate index might not calculate sufficient margin amounts during periods of heightened repo market volatility.[28] FICC believes that the ability to quickly adjust the repo haircut rate calculation in response to rapidly changing market conditions would help mitigate the effects of such potential data availability limitations.[29]

4. Technical and Conforming Changes

FICC proposes to make certain technical and conforming changes to the QRM Methodology Document for clarity.[30]

## III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act[31] directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. After careful consideration, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to FICC. In particular, the Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act[32] and Rules 17Ad–22(e)(4)[33] and (e)(6)[34] thereunder.

*A. Consistency With Section 17A(b)(3)(F) of the Act*

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a clearing agency, such as FICC, be designed to promote the prompt and accurate clearance and settlement of securities transactions and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.[35]

As described in Section II.B.1 above, FICC proposes to change its formula for calculating the repo interest volatility charge. Specifically, FICC would no longer apply the repo haircut rate based on whether the total net amount of a portfolio's positions in a specific risk bucket is long or short, as does the currently formula. Instead, FICC proposes to apply a specific repo haircut rate based on whether the individual repo interest positions in a given risk bucket are either long or short, specifically, enabling FICC to use two haircuts for each risk bucket, one for long positions and the other for short positions. The repo interest volatility charge for a specific risk bucket would be the absolute value of the sum of the products of repo start amount, time to settlement, and repo haircut rate of the individual repo interest positions in the risk bucket. The total repo interest volatility charge for the portfolio would be the sum of the repo interest volatility charges of all of the risk buckets in the portfolio. By allowing FICC to use two haircuts for each risk bucket, the proposed formula should better facilitate FICC's collection of sufficient margin by enabling FICC to respond to rapidly changing market conditions more quickly and effectively, particularly when the long and short repo interest positions exhibit very different risk profiles.

As described in Section II.B.2 above, FICC proposes to add a repo bid/ask spread to each repo haircut rate within the same risk bucket, based on the historical percentile movements of FICC's internally constructed repo interest rate indices. Adding the bid/ask spread would generate margin amounts not currently accounted for in the current repo interest volatility charge formula. Specifically, the proposed bid/ask spread component would account for the difference observed in the repo market between the highest rate a repo participant is willing to pay to borrow money in a repo trade and the lowest rate a repo participant is willing to accept to lend money in a repo trade.

Based on the Impact Study,[36] had FICC used the proposed formula (*i.e.,* two haircuts for each risk bucket) and the proposed bid/ask spread component, the CCP-level backtesting coverage ratio for the repo interest volatility charge would have increased from approximately 98.7 percent to 99.2 during the period of January 2018 to February 2022. The Commission believes that the results of the Impact Study demonstrate that these proposed changes would have enabled FICC to generate margin amounts that more effectively cover FICC's relevant credit exposures than the current formula.

Additionally, as described in Section II.B.3 above, FICC proposes to move the detailed description of the repo haircut rate calculation for all risk buckets from the QRM Methodology Document to an internal standalone document, which FICC would not consider to be a ''rule'' for purposes of Rule 19b–4[37] under the Act. As such, the proposed change would provide FICC with greater flexibility to respond to rapidly changing market conditions more quickly, which in turn, would better enable FICC to risk manage its members' repo interest positions and effectively cover FICC's applicable credit exposures.

Accordingly, the Commission believes that implementing the changes set forth in Sections II.B.1, II.B.2, and II.B.3

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[23] 12 U.S.C. 5465(e)(1) and 17 CFR 240.19b–4(n)(1)(i).

[24] *See* Notice, *supra* note 3, at 42526.

[25] *Id.*

[26] *Id.*

[27] *Id.*

[28] *Id.*

[29] *Id.*

[30] FICC's proposed technical and conforming changes are designed to use more precise language, remove obsolete items, clarify and address substantive changes discussed in the proposal, and otherwise enhance the QRM Methodology Document's readability. For a detailed description of FICC's proposed technical and conforming changes, please refer to the Notice, *supra* note 3, at 42526–27.

[31] 15 U.S.C. 78s(b)(2)(C).

[32] 15 U.S.C. 78q–1(b)(3)(F).

[33] 17 CFR 240.17Ad–22(e)(4)(i).

[34] 17 CFR 240.17Ad–22(e)(6)(i) and (v).

[35] 15 U.S.C. 78q–1(b)(3)(F).

[36] *See supra* note 15.

[37] 17 CFR 240.19b–4. A stated policy, practice, or interpretation of a self-regulatory organization is not a ''rule'' that would be subject to the Rule 19b–4 filing requirements if, for example, it is reasonably and fairly implied by an existing rule of the self-regulatory organization. *See* 17 CFR 240.19b–4(c). However, any future changes to the repo haircut rate calculations would be subject to DTCC's internal model governance procedure as described in the Clearing Agency Model Risk Management Framework. *See supra* note 22. Moreover, any future changes to the repo haircut rate calculations that would materially affect the nature or level of risks presented by FICC would be subject to the advance notice filing requirements of the Dodd-Frank Act. *See supra* note 23.

should help ensure that, in the event of a member default, FICC's operation of its critical clearance and settlement services would not be disrupted because of insufficient financial resources. The Commission, therefore, finds that FICC's proposals to change the repo interest volatility charge formula, add the bid/ask spread component, and remove the details of the repo haircut rate calculations from the QRM Methodology Document should help FICC to continue providing prompt and accurate clearance and settlement of securities transactions in the event of a member default, consistent with Section 17A(b)(3)(F) of the Act.[38]

Moreover, as described in Section II.A above, FICC would access the mutualized Clearing Fund should a defaulted member's own margin be insufficient to satisfy losses to FICC caused by the liquidation of that member's portfolio. Because FICC's proposals to change the repo interest volatility charge formula, add the bid/ask spread component, and remove the details of the repo haircut rate calculations from the QRM Methodology Document, should help ensure that FICC has collected sufficient margin from members, the proposed changes would also help minimize the likelihood that FICC would have to access the Clearing Fund, thereby limiting non-defaulting members' exposure to mutualized losses. The Commission believes that by helping to limit the exposure of FICC's non-defaulting members to mutualized losses, the proposed changes should help FICC assure the safeguarding of securities and funds which are in its custody or control, consistent with Section 17A(b)(3)(F) of the Act.[39]

Finally, as described in Section II.B.4 above, FICC proposes several technical and conforming changes to the QRM Methodology Document to improve accuracy and clarity. The Commission believes that greater accuracy and clarity of the QRM Methodology Document should better enable FICC to effectively implement the document's provisions. Accordingly, the Commission believes that FICC's proposed technical and conforming changes should better enable FICC to assess and collect sufficient margin from its members with respect to the repo interest volatility charge, thereby promoting prompt and accurate clearance and settlement, and assuring the safeguarding of security and funds which are in FICC's custody or control, consistent with Section 17A(b)(3)(F) of the Act.[40]

### *B. Consistency With Rule 17Ad–22(e)(4) Under the Act*

Rule 17Ad–22(e)(4)(i)[41] under the Act requires a covered clearing agency to establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those exposures arising from its payment, clearing, and settlement processes by maintaining sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence.

As described in Section III.A above, FICC's proposals to: (i) apply a specific repo haircut rate based on whether individual repo interest positions in a given risk bucket are either long or short; and (ii) add a bid/ask spread component to the repo interest volatility charge should improve FICC's ability to calculate and collect sufficient margin from its members. The results of FICC's Impact Study demonstrate that during the period of January 2018 to February 2022, the proposed changes would have enabled FICC to achieve its 99 percent coverage target more effectively than the current formula. Additionally, FICC's proposal to move the detailed description of the repo haircut rate calculation for all risk buckets from the QRM Methodology Document to an internal standalone document would enable FICC to quickly adjust the calculation in response to rapidly changing market conditions, which in turn, should better enable FICC to risk manage its members' repo interest positions and thereby collect sufficient margin to effectively cover FICC's credit exposures.

Because the foregoing proposed changes should better enable FICC to collect sufficient margin in connection with member portfolios subject to the repo interest volatility charge, the Commission believes that the proposed changes should enhance FICC's ability to maintain sufficient financial resources to cover its credit exposures to applicable member portfolios fully with a high degree of confidence, consistent with Rule 17Ad–22(e)(4)(i) under the Act.[42]

### *C. Consistency With Rule 17Ad–22(e)(6) Under the Act*

Rule 17Ad–22(e)(6)(i)[43] under the Act requires a clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market. Rule 17Ad–22(e)(6)(v)[44] under the Act requires a clearing agency to establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, uses an appropriate method for measuring credit exposure that accounts for relevant product risk factors and portfolio effects across products.

FICC's proposal to change its formula for calculating the repo interest volatility charge by applying a specific repo haircut rate based on whether individual repo interest positions in a given risk bucket are either long or short would provide FICC the flexibility to apply two separate repo haircut rates (for long and short positions, respectively) within the same risk bucket. As a result, the proposed change would enhance FICC's ability to respond quickly to rapidly changing market conditions, particularly when long and short repo interest positions exhibit very different risk profiles.[45] Additionally, FICC's proposal to add a bid/ask spread component to the repo interest volatility charge would account for the difference observed in the repo market between the highest rate a repo participant is willing to pay to borrow money and the lowest rate a repo participant is willing to accept to lend money. Finally, based on its review of the Proposed Rule Change, including confidential Exhibit 3 thereto,[46] the Commission understands that the proposed changes generate sufficient margin amounts more effectively than

[38] *Id.*

[39] *Id.*

[40] *Id.*

[41] 17 CFR 240.17Ad–22(e)(4)(i).

[42] *Id.*

[43] 17 CFR 240.17Ad–22(e)(6)(i).

[44] 17 CFR 240.17Ad–22(e)(6)(v).

[45] FICC's proposal to move the detailed description of the repo haircut rate calculation for all risk buckets from the QRM Methodology Document to an internal standalone document would enable FICC to quickly adjust the calculation in response to rapidly changing market conditions, which in turn, should enable FICC to better risk manage its members' repo interest positions.

[46] *See supra* notes 14 and 15, describing the information submitted confidentially.

the current repo interest volatility charge formula.

For these reasons, the Commission believes that the proposed changes should help ensure that FICC produces margin levels commensurate with the risks and particular attributes of its member portfolios containing repo interest positions by (i) enabling FICC to adjust the repo interest volatility charge formula in response to rapidly changing market conditions, and (ii) accounting for the bid/ask spread, which is not addressed in the current repo interest volatility charge formula. Accordingly, the Commission believes that the proposed changes would enhance FICC's risk-based margin system to better enable FICC to cover its credit exposures to its members' repo interest positions because the proposed changes consider the risks and particular attributes of the relevant products, portfolios, and markets, consistent with the requirements of Rule 17Ad–22(e)(6)(i).[47] Similarly, the Commission believes that the proposed changes are reasonably designed to cover FICC's credit exposures to its members' repo interest positions because the proposed changes would enhance FICC's risk-based margin system using appropriate methods for measuring credit exposures that account for relevant product risk factors and portfolio effects, consistent with the requirements of Rule 17Ad–22(e)(6)(v).[48]

## IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and, in particular, with the requirements of Section 17A of the Act[49] and the rules and regulations promulgated thereunder.

*It is therefore ordered,* pursuant to Section 19(b)(2) of the Act[50] that proposed rule change SR–FICC–2022–005, be, and hereby is, APPROVED.[51]

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[52]

**J. Matthew DeLesDernier,**

*Deputy Secretary.*

[FR Doc. 2022–18768 Filed 8–30–22; 8:45 am]

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[47] 17 CFR 240.17Ad–22(e)(6)(i).

[48] 17 CFR 240.17Ad–22(e)(6)(v).

[49] 15 U.S.C. 78q–1.

[50] 15 U.S.C. 78s(b)(2).

[51] In approving the proposed rule change, the Commission considered the proposals' impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[52] 17 CFR 200.30–3(a)(12).

# SECURITIES AND EXCHANGE COMMISSION

**[Release No. 95602; File No. SR–MSRB–2022–05]**

## Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Order Granting Approval of a Proposed Rule Change Consisting of Amendments to MSRB Rule G–34 to Better Align the CUSIP Requirements for Underwriters and Municipal Advisors With Current Market Practices

August 25, 2022.

## I. Introduction

On July 1, 2022, the Municipal Securities Rulemaking Board (the ''MSRB'' or ''Board'') filed with the Securities and Exchange Commission (the ''SEC'' or ''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] a proposed rule change to consisting of amendments to MSRB Rule G–34, on CUSIP numbers, New Issue, and Market Information Requirements (the ''proposed rule change''). The proposed rule change would make amendments to better align Rule G–34's requirements for obtaining CUSIP numbers with the process followed by market participants and facilitate compliance with MSRB Rule G–34 by streamlining the rule text.

The proposed rule change was published for comment in the **Federal Register** on July 13, 2022.[3] The public comment period closed on August 3, 2022, and three comment letters were received on the proposed rule change.[4] On August 22, 2022, the MSRB responded to those comments.[5] This order approves the proposed rule change.

## II. Description of Proposed Rule Change

As described further herein and in the Notice of Filing, the proposed rule change specifies that CUSIP applications must be made to the Board's designee (and not the Board itself); removes the obligation for municipal advisors providing advice with respect to a competitive offering to apply for the CUSIP number by no later than one business day after dissemination of a notice of sale in favor of a more flexible standard that still obligates the application to be made within sufficient time to ensure timely CUSIP number assignment; removes language dictating the precise content of a CUSIP number application that the MSRB believes would more appropriately be left to the Board's designee for receiving and reviewing such applications; and provides that certain obligations set forth in the rule do not apply when CUSIP numbers have been preassigned.[6]

### A. Designee of the Board

MSRB Rule G–34(a)(i)(A) currently requires an underwriter or municipal advisor to obtain CUSIP numbers through an application in writing to the Board or its designee. The proposed rule change amends this language by providing that underwriters and municipal advisors must apply to the Board's designee and removing the language in the rule text that makes reference to the Board as an option with which to submit CUSIP application.[7] The MSRB states that this revised language is designed to avoid the potential for confusion associated with the current rule text and to more clearly convey the MSRB's expectations with respect to the process of obtaining a CUSIP number.[8] The MSRB notes that it does not currently assign CUSIP numbers to municipal securities; underwriters and municipal advisors may only obtain a CUSIP by application to the only entity that provides these identifiers, CUSIP Global Services, which is currently the only entity serving as the Board's designee.[9] This designation would remain unchanged by the proposed rule change and would be reflected in new Supplementary Material .01.[10] The MSRB states that if CUSIP numbers become available from another source or another identifier for municipal securities becomes market practice at some point in the future, the MSRB would notify the market of a decision to modify the designee via

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

[2] 17 CFR 240.19b–4.

[3] Exchange Act Release No. 95208 (July 7, 2022) (the ''Notice of Filing''), 87 FR 41846 (July 13, 2022).

[4] *See* Letter to Secretary, Commission, from Michael Decker, Senior Vice President for Public Policy, Bond Dealers of America (''BDA''), dated August 3, 2022 (the ''BDA Letter''); Letter to Secretary, Commission, from Kim M. Whelan, Co-President, and Noreen P. White, Co-President, Acacia Financial Group Inc., dated August 3, 2022 (the ''Acacia Letter''); and Letter to Secretary, Commission, from Susan Gaffney, Executive Director, National Association of Municipal Advisors (''NAMA''), dated July 6, 2022 (the ''NAMA Letter'').

[5] *See* Letter to Secretary, Commission, from Gail Marshall, Chief Regulatory Officer, MSRB, dated August 22, 2022 (the ''MSRB Response Letter'').

[6] *See* Notice of Filing 87 FR 41846 at 41847.

[7] *Id.*

[8] *Id.*

[9] *Id.*

[10] *Id.*