

invites the written views of interested persons concerning whether the proposed rule change is consistent with Section 6(b)(5) of the Act²⁰ or any other provision of the Act, or the rules and regulations thereunder. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of data, views, and arguments, the Commission will consider, pursuant to Rule 19b-4 under the Act,²¹ any request for an opportunity to make an oral presentation.²²

Interested persons are invited to submit written data, views, and arguments regarding whether the proposed rule change should be approved or disapproved by January 20, 2026. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by February 2, 2026. The Commission asks that commenters address the sufficiency of the Exchange's statements in support of the proposal, in addition to any other comments they may wish to submit about the proposed rule change. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-CboeBZX-2025-141 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-CboeBZX-2025-141. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable

information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-CboeBZX-2025-141 and should be submitted on or before January 20, 2026. Rebuttal comments should be submitted by February 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²³

Sherry R. Haywood,

Assistant Secretary.

[FR Doc. 2025-23820 Filed 12-23-25; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104486; File No. SR-FICC-2025-801]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Extension of Review Period of Advance Notice To Amend and Restate the Second Amended and Restated Cross-Margin Agreement Between FICC and CME and Amend Related GSD Rules

December 22, 2025.

Pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act entitled the Payment, Clearing, and Settlement Supervision Act of 2010 ("Clearing Supervision Act")¹ and Rule 19b-4(n)(1)(i) under the Securities Exchange Act of 1934 ("Exchange Act"),² notice is hereby given that on December 12, 2025, Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") the advance notice SR-FICC-2025-801 ("Advance Notice") as described in Items I, II and III below, which Items have been prepared by the clearing agency.³ On December 19, 2025, FICC filed Partial Amendment No. 1 to the Advance Notice to make certain changes to the narrative description of the filing

and exhibits provided by FICC.⁴ The Commission is publishing this notice to solicit comments on the Advance Notice, as modified by Partial Amendment No. 1 (hereafter "Advance Notice"), from interested persons and to extend the review period of the advance notice.

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

This Advance Notice consists of proposed rule changes related to its cross-margining arrangement (the "Cross-Margin Agreement") with the Chicago Mercantile Exchange Inc. ("CME", and collectively with FICC, the "Clearing Organizations" or "Parties"). The proposed rule changes consist of (i) a proposed Third Amended and Restated Cross-Margin Agreement (the "Third A&R Agreement") between FICC and CME, which would replace the Second Amended and Restated Cross-Margin Agreement between the Parties (the "Second A&R Agreement") in its entirety and would be incorporated into the FICC Government Securities Division ("GSD") Rulebook ("GSD Rules" or "Rules"), and (ii) a number of related rule changes to the GSD Rules. Together, the proposed changes would extend the availability of the Cross-Margin Agreement to positions cleared and carried for customers by a dually registered broker-dealer ("BD") and futures commission merchant ("FCM") that is a common member of FICC and CME (an "Eligible BD-FCM").⁵

¹ Partial Amendment No. 1 makes clarifications and corrections to the narrative description of the Advance Notice and Exhibit 5A of the filing. Specifically, the Amendment corrects the narrative description of a proposed change to the GSD Rules to accurately reflect the change, as it appears in Exhibit 5A. The Amendment also modifies Exhibit 5A to correct to correct a typographical error and mismatched rule text as compared to the currently effective GSD Rules. These clarifications and corrections have been incorporated, as appropriate, into the description of the Advance Notice in Item II below.

² The Commission recently approved FICC's proposed rule change to enter into the Second Amended and Restated Cross-Margin Agreement between FICC and CME. See Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving Proposed Rule Change to Amend and Restate the Cross-Margin Agreement between FICC and CME, 90 FR 31043 (July 11, 2025). The Second A&R Agreement has thus been incorporated in the GSD Rules available at www.dtcc.com/legal/rules-and-procedures. Unless otherwise specified, capitalized terms not defined herein shall have the meanings ascribed to them in the GSD Rules.

²⁰ 15 U.S.C. 78f(b)(5).

²¹ 17 CFR 240.19b-4.

²² Section 19(b)(2) of the Act, as amended by the Securities Acts Amendments of 1975, Public Law 94-29 (June 4, 1975), grants to the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Acts Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

²³ 17 CFR 200.30-3(a)(57).

¹ 12 U.S.C. 5465(e)(1).

² 17 CFR 240.19b-4(n)(1)(i).

³ On December 12, 2025, FICC filed this Advance Notice as a proposed rule change (SR-FICC-2025-025) with the Commission pursuant to Section 19(b)(1) of the Exchange Act, 15 U.S.C. 78s(b)(1), and Rule 19b-4 thereunder, 17 CFR 240.19b-4. A copy of the proposed rule change is available at www.dtcc.com/legal/sec-rule-filings.

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

In its filing with the Commission, the clearing agency 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. The clearing agency has prepared summaries, set forth in sections A and B below, of the most significant aspects of such statements.

(A) Clearing Agency's Statement on Comments on the Advance Notice Received From Members, Participants, or Others

FICC has not received or solicited any written comments relating to this proposal. If any written comments are received, they will be publicly filed as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission's instructions on how to submit comments, *available at www.sec.gov/rules-regulations/how-submit-comment*. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at *tradingandmarkets@sec.gov* or 202-551-5777.

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

(B) Advance Notice Filed Pursuant to Section 806(e) of the Clearing Supervision Act

Currently, the Cross-Margining Arrangement allows FICC and CME to recognize for margin purposes the offsetting risk of certain positions in futures on U.S. Treasury securities and other interest rate futures and Treasury market transactions ("Eligible Positions") maintained by a member of both Clearing Organizations (a "Joint Clearing Member") for itself or certain eligible affiliates (an "Eligible Affiliate"), or by affiliated members of CME and FICC (each, a "Cross-

Margining Affiliate," and each Joint Clearing Member and each Cross-Margining Affiliate, a "Cross-Margining Participant"), at the two Clearing Organizations in circumstances when the Clearing Organizations can look to all of those positions (and all associated margin) for performance of the Joint Clearing Member's or a pair of Cross-Margining Affiliates' obligations (the "Proprietary Cross-Margining Arrangement"). In particular, the Proprietary Cross-Margining Arrangement allows the Clearing Organizations to consider the net risk of a Joint Clearing Member's and its Eligible Affiliates' Eligible Positions or a pair of Cross-Margining Affiliates' Eligible Positions at FICC and CME when setting margin requirements for such positions.⁶ Any resulting margin reductions create capital efficiencies for the Cross-Margining Participants and their Eligible Affiliates and incentivize them to maintain or carry portfolios that present lower overall risk.

FICC and CME have submitted to the Securities and Exchange Commission (the "Commission") and the Commodity Futures Trading Commission (the "CFTC") petitions for exemptive relief from certain provisions of the Commodity Exchange Act ("CEA") and Exchange Act that would enable FICC and CME to make cross-margining available to customers (other than an Eligible Affiliate) of an Eligible BD-FCM ("Cross-Margining Customers").⁷ The proposed rule changes aim to set forth a customer cross-margining arrangement that is consistent with the descriptions in the Petitions and the requirements of the Proposed Orders (the "Customer Cross-Margining Arrangement"). The Customer Cross-Margining Arrangement would allow Cross-Margining Customers to benefit from the margin reductions that are currently only available to Cross-Margining Participants and their Eligible Affiliates under the Proprietary Cross-Margining Arrangement. As a result, it would facilitate access to clearing for indirect participants, promote the maintenance of more balanced portfolios that present lower risk, and enhance liquidity in,

⁶ See Section 4 of the Second A&R Agreement, *supra* note 3.

⁷ See Letter from the Fixed Income Clearing Corporation and Chicago Mercantile Exchange Inc. to Vanessa Countryman dated as of December 11, 2025 and filed as Confidential Exhibit 3B (the "SEC Petition") and Letter from the Fixed Income Clearing Corporation and Chicago Mercantile Exchange Inc. to Christopher J. Kirkpatrick dated as of May 14, 2025, and filed as Confidential Exhibit 3C (the "CFTC Petition", and collective with the SEC Petition, the "Petitions", and the proposed Commission and CFTC orders as described in the Petitions, the "Proposed Orders").

and otherwise promote the resilience and robustness of, the Treasury market.

The Third A&R Agreement would effectuate the Customer Cross-Margining Arrangement via the following features:

- *Eligibility Criteria and Participation Requirements.* The Third A&R Agreement would set out the eligibility criteria for a Joint Clearing Member and its Cross-Margining Customer to participate in the Customer Cross-Margining Arrangement, as well as the requirements that would apply to such a Joint Clearing Member and its Cross-Margining Customer. These include the requirements that:
 - A Joint Clearing Member be an Eligible BD-FCM;
 - Each Cross-Margining Customer be a "futures customer" within the meaning of CFTC Regulation 1.3 and a "Sponsored Member" or "Eligible Firm Customer" as defined under the GSD Rules;
 - The Joint Clearing Member enter into a participant agreement with the Clearing Organizations; and
 - The Joint Clearing Member enter into an agreement with each Cross-Margining Customer containing certain terms, including that the Cross-Margining Customer agrees to subordinate its claims under the Securities Investor Protection Act of 1970 ("SIPA") and subchapter III of Chapter 7 of the U.S. Bankruptcy Code in relation to its cross-margined positions and associated margin (the "Subordination Agreement").

As discussed in greater detail below, these criteria and requirements for participation are designed to ensure that each participating Cross-Margining Customer and its Joint Clearing Member satisfy certain conditions set forth in the Proposed Orders.

- *Customer Cross-Margining Accounts.* The Third A&R Agreement would include provisions to enable Eligible BD-FCMs to establish "Customer Cross-Margining Accounts" for purposes of recording Eligible Positions at the Clearing Organizations (such Eligible Positions in a Customer Cross-Margining Account, "Customer Positions") and set forth a definition of "Proprietary Cross-Margining Accounts" to refer to the accounts established by Eligible BD-FCMs at the Clearing Organizations for the purposes of recording positions subject to the Proprietary Cross-Margining Arrangement ("Proprietary Positions").

- *Margin Methodology.* The Third A&R Agreement would include provisions describing the methodology for calculating potential reductions to the margin requirements for Customer Positions. As discussed in greater detail

below, FICC is proposing to apply the same margin reduction methodology to Customer Positions as it applies to Proprietary Positions, with margin reductions calculated on a customer-by-customer basis for each Cross-Marginating Customer.

- **Default Management.** The Third A&R Agreement would include provisions to address how the Clearing Organizations would manage a default of a Cross-Marginating Participant (a “Defaulting Member”) carrying positions for Cross-Marginating Customers. Under the Third A&R Agreement, the Clearing Organizations would follow substantially the same approach to handling Customer Positions carried by a Defaulting Member as applies to Proprietary Positions. However, Customer Positions and Proprietary Positions and associated margin would form part of separate “Liquidation Portfolios” and therefore would not be netted against one another in calculating Net Gain or Net Loss (or VM Net Gain or VM Net Loss) under the Cross-Marginating Agreement. By virtue of these changes, the Clearing Organizations would not be able to apply Customer Positions or associated margin to the obligations arising under a Defaulting Member’s Proprietary Positions. The Third A&R Agreement would also include edits clarifying that the Clearing Organizations may “port” Customer Positions to another clearing member in a default scenario.

In addition to replacing the Second A&R Agreement with the Third A&R Agreement, FICC proposes the following changes to the GSD Rules to effectuate the Customer Cross-Marginating Arrangement:

- **Account Structure.** FICC proposes to create a new Account type, the “Cross-Marginating Customer Account,” for purposes of recording FICC-cleared Customer Positions.

- **Margin Methodology and Treatment.** As discussed in greater detail below, under the proposed changes, FICC would collect and hold Cross-Marginating Customer Margin in a substantially similar manner to how it collects and holds “Segregated Customer Margin” (as defined under the GSD Rules), with certain adjustments to ensure consistency with the requirements of the Proposed Orders and the general requirements and conventions applicable to futures. Consistent with how it treats Segregated Customer Margin, FICC would credit all Cross-Marginating Customer Margin collected from an Eligible BD-FCM to a securities account on its books and records in the name of the Eligible BD-FCM for the benefit of its customers (a

“Cross-Margining Customer Margin Custody Account”). FICC would also agree to treat all assets credited to the Cross-Margining Customer Margin Custody Account as “financial assets” credited to a “securities account” for which FICC is the “securities intermediary,” as such terms are used in Article 8 of the Uniform Commercial Code as in effect in the State of New York (“NYUCC”). This treatment is designed to ensure that Cross-Margining Customer Margin does not form part of FICC’s bankruptcy estate and is not exposed to the claims of FICC’s general creditors, and is instead reserved for Eligible BD-FCMs claiming on behalf of their Cross-Margining Customers. Consistent with how it holds Segregated Customer Margin, FICC would hold Cross-Margining Customer Margin in a segregated account at a bank insured by the Federal Deposit Insurance Corporation and at the Federal Reserve Bank of New York (the “FRBNY”). In accordance with the Proposed Orders, any such account (other than one at the FRBNY) would need to be subject to a written notice consistent with the Proposed Orders.

- **Conforming and Clarifying Changes.** FICC proposes to make a number of clarifying and conforming edits to the GSD Rules, including (i) adding references to Cross-Margining Customer, Cross-Margining Customer Margin, Cross-Margining Customer Account, and Cross-Margining Customer Margin Requirements to relevant provisions that refer to indirect participants, initial margin collected by FICC, position accounts maintained by FICC, and FICC’s initial margin requirements; (ii) removing the existing prohibition under Section 10(e) of Rule 3A on Sponsored Members from participating in the Cross-Margining Arrangement; (iii) expanding Rule 43, which sets forth certain terms related to the Proprietary Cross-Margining Arrangement, to encompass the Customer Cross-Margining Arrangement; and (iv) removing references to the Market Professionals cross-margining arrangement, which is no longer offered by FICC.

The Third A&R Agreement would also include a number of clarifying and conforming edits, including to make clear that, with respect to both the Proprietary Cross-Margining Arrangement and Customer Cross-Margining Arrangement, FICC and CME would only manage a default of a Joint Clearing Member independently of one another if a joint management or buyout by one of the Clearing Organizations were not legally permissible or possible

or would result in substantially greater losses to each Clearing Organization.

In addition, the Second A&R Agreement is supplemented by a Service Level Agreement (“SLA”) between FICC and CME. FICC and CME will make edits to the SLA as necessary to ensure conformance with the proposed Third A&R Agreement.⁸

Description of Proposed Changes

(i) The Proposed Third A&R Agreement

As noted above, FICC proposes to enter into the Third A&R Agreement with CME. The proposed changes to the Second A&R Agreement contained in the Third A&R Agreement are designed to make cross-margining available to Cross-Margining Customers consistently with the framework set out in the Proposed Orders. FICC believes that such amendments would promote the maintenance of more balanced portfolios that present lower risk and facilitate the access of indirect participants to central clearing in accordance with Rule 17ad-22 under the Exchange Act.

A. Eligibility Criteria and Participation Requirements

a. Eligibility Criteria for Joint Clearing Members

The Third A&R Agreement would set forth the eligibility criteria for a Cross-Margining Participant to participate in the Customer Cross-Margining Arrangement. To facilitate compliance with the conditions and limitations of the Proposed Orders, Section 2(a) of the Third A&R Agreement would provide that, to become a Cross-Margining Participant for the Customer Cross-Margining Arrangement and establish a Customer Cross-Margining Account, a Clearing Member would need to be a Joint Clearing Member that is both a BD registered with the Commission and an FCM registered with the CFTC (*i.e.*, an Eligible BD-FCM).⁹ Section 3(a) of the Third A&R Agreement would further require that the Eligible BD-FCM hold the Cross-Margining Customer’s Customer Positions at FICC and associated money, securities and property together with such customer’s Customer Positions at CME and the associated “futures customer funds,” as defined in CFTC Regulation 1.3, held by the Eligible BD-FCM, in a “futures account,” as defined in CFTC Regulation 1.3, “in accordance with any conditions set forth in the regulatory approvals of [the Third A&R Agreement]

⁸ The SLA is provided as confidential Exhibit 3 to this proposed rule change.

⁹ See Section 2(a) of the proposed Third A&R Agreement.

issued by [the Commission] and CFTC and applicable law.”¹⁰

In addition, the Eligible BD-FCM would be required to enter into a participant agreement with FICC and CME in the form of Appendix C to the Third A&R Agreement (the “Customer Cross-Margin Clearing Member Agreement”), which is further described below.¹¹ The definition of “Clearing Member Agreement” would correspondingly be amended to refer, with respect to the Proprietary Cross-Margin Arrangement, to the existing participant agreement currently in Appendix A or Appendix B of the Second A&R Agreement (the “Proprietary Clearing Member Agreement”), as applicable, and with respect to the Customer Cross-Margin Arrangement, to the Customer Cross-Margin Clearing Member Agreement.¹²

As a conforming change, Sections 2(a) and (c) and the first sentence of Section 2(a) of the Third A&R Agreement would also be amended to provide that the pre-existing language therein applies to a Cross-Margin Participant for the Proprietary Cross-Margin Arrangement.¹³

b. Definition of Customer and Non-Customer

The Customer Cross-Margin Arrangement would only be available for the positions carried by an Eligible BD-FCM for “Customers.” To ensure compliance with the limitations under the Proposed Orders of the types of persons eligible to be Cross-Margin Customers, the Third A&R Agreement would define “Customer” as an indirect clearing participant that meets the definition of futures customer set out in CFTC Regulation 1.3 and is a “Sponsored Member” or “Executing Firm Customer” as defined under the GSD Rules.¹⁴ CFTC Regulation 1.3 defines “futures customer” to mean any person who uses an FCM as an agent in connection with trading in any futures contract, but excludes persons whose futures positions are held in a

¹⁰ See Section 3(a) of the proposed Third A&R Agreement.

¹¹ See *infra* Part 10(i)(G) “Customer Cross-Margin Clearing Member Agreement”; Section 2(d) of the proposed Third A&R Agreement; Appendix C “Fixed Income Clearing Corporation/Chicago Mercantile Exchange Inc. Cross-Margin Participant Agreement (Common Member) [Customer Cross-Margin Program]” of the proposed Third A&R Agreement.

¹² See Section 1 of the proposed Third A&R Agreement.

¹³ See Sections 2(a), (c) of the proposed Third A&R Agreement.

¹⁴ See Section 1 of the proposed Third A&R Agreement.

“proprietary account.”¹⁵ Any Customer wishing to participate in the Customer Cross-Margin Arrangement would need to enter into an agreement with its Eligible BD-FCM that includes certain terms described in greater detail below (the “Customer Agreement”).¹⁶ Because affiliates of the Eligible BD-FCM would generally have their CME-cleared futures positions held in a proprietary account of the Eligible BD-FCM, such affiliates would not constitute “futures customers” under CFTC Regulation 1.3. However, Eligible Affiliates would continue to be able to access cross-margining under the Proprietary Cross-Margin Arrangement so long as they constitute “Non-Customers.”¹⁷ The Third A&R Agreement would revise the definition of “Non-Customer” to mean any affiliate of the Eligible BD-FCM or any person that is an officer, director, partner or other related person of the Eligible BD-FCM (i) that is not a “customer” of the Eligible BD-FCM within the meaning of SIPA, Subchapter III of Chapter VII of the U.S. Bankruptcy Code, or Exchange Act Rule 15c3-3 and (ii) whose CME-cleared positions are carried in a proprietary account of the Eligible BD-FCM.¹⁸

¹⁵ See CFTC Regulation 1.3, definition of “futures customer” (defining “futures customer” as “any person who uses a futures commission merchant, introducing broker, commodity trading advisor, or commodity pool operator as an agent in connection with trading in any contract for the purchase or sale of a commodity for future delivery or any option on such contract; Provided, however, an owner or holder of a proprietary account as defined in this section shall not be deemed to be a futures customer within the meaning of sections 4d(a) and 4d(b) of the [CEA], the regulations in this chapter that implement sections 4d and 4f of the [CEA] and [CFTC Regulation] § 1.35, and such an owner or holder of such a proprietary account shall otherwise be deemed to be a futures customer within the meaning of the [CEA] and [CFTC Regulations] §§ 1.37 and 1.46 and all other sections of these rules, regulations, and orders which do not implement sections 4d and 4f of the [CEA].”); CFTC Regulation 1.3, definition of “proprietary account” (defining “proprietary account” as “futures, commodity option, or swap trading account carried on the books and records of” a person or entity for such person or entity itself or certain affiliates, as well as such account “of which ten percent or more is owned by . . . or an aggregate of ten percent or more of which is owned by more than one” such persons, entities, or affiliates).

¹⁶ See *infra* Part 10(i)(H) “Customer Agreement.”

¹⁷ See Section 3(b) of the proposed Third A&R Agreement (allowing the transactions, positions and margin that are maintained by an “Eligible Affiliate” to be maintained in a Cross-Margin Account provided that certain conditions, which are not proposed to be modified in the Third A&R Agreement, are satisfied); Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving Proposed Rule Change to Amend and Restate the Cross-Margin Agreement between FICC and CME, 90 FR 31043 (July 11, 2025).

¹⁸ See Section 1 of the proposed Third A&R Agreement.

c. Relationship Between the Clearing Organizations and Cross-Margin Customers

Because a Cross-Margin Customer’s participation in the Customer Cross-Margin Arrangement would be intermediated through the Eligible BD-FCM, Section 2(a) of the Third A&R Agreement would specify that the Clearing Organizations would have no obligation to deal directly with a Cross-Margin Customer, and that a Cross-Margin Customer would have no right to assert a claim against a Clearing Organization with respect to, nor would a Clearing Organization be liable to a Cross-Margin Customer for, any obligations of a Clearing Organization in connection with the Cross-Margin Customer’s participation in the Customer Cross-Margin Arrangement pursuant to the Third A&R Agreement.¹⁹ These terms are consistent with those applicable to Eligible Firm Customers under the GSD Rules, as well as those applicable to customers under CME’s rules.²⁰

B. Customer Cross-Margin Account

To effectuate the Customer Cross-Margin Arrangement, the Third A&R Agreement would include changes to enable an Eligible BD-FCM to establish a “Customer Cross-Margin Account” separate from any of its “Proprietary Cross-Margin Accounts.”

A Customer Cross-Margin Account would be defined as, with respect to FICC, an Indirect Participants Account (as defined in the GSD Rules) at FICC maintained for Cross-Margin Customers and identified in FICC’s books and records as being subject to the Third A&R Agreement (which, as discussed below, would be the “Cross-Margin Customer Account” under the GSD Rules) and with respect to CME, an account carried on the books and records of CME for an Eligible BD-FCM, which contains only the positions, transactions, and margin of that Eligible BD-FCM’s Cross-Margin Customers.²¹ A Proprietary Cross-Margin Account would be defined as, with respect to FICC, a Proprietary Account at FICC (as defined in the GSD Rules) or an Indirect Participants Account at FICC that is maintained for Non-Customers and identified in FICC’s books and records as being subject to the Third A&R Agreement, and, with respect to CME, an account carried on the books and records of CME for an

¹⁹ See Section 2(a) of the proposed Third A&R Agreement.

²⁰ See GSD Rules, Rule 2, Section 4; Rule 8, Section 6(c)-(e); CME Rulebook, Rule 803.

²¹ See *id.*

Eligible BD-FCM, which contains only the positions, transactions, and margin of the “proprietary accounts” (as defined in CFTC Regulation 1.3) of the Eligible BD-FCM.²²

The Third A&R Agreement would also define “Cross-Margin Account” to mean either a Proprietary Cross-Margin Account or a Customer Cross-Margin Account.²³ An Eligible BD-FCM would be required to designate each Cross-Margin Account it opens at the Clearing Organizations as either a Customer Cross-Margin Account or a Proprietary Cross-Margin Account.²⁴

C. Margin Methodology

The Third A&R Agreement would also specify how potential margin reductions would be calculated for Customer Positions carried in a Customer Cross-Margin Account. As with Proprietary Positions, each Clearing Organization would calculate the margin savings that would result from viewing the “Combined Portfolio” of CME-cleared Customer Positions and FICC-cleared Customer Positions as a single portfolio rather than as separate standalone portfolios. The Clearing Organizations would then compare the respective margin reduction percentages, and each would then reduce the margin required for the Combined Portfolio by the lower percentage (subject to a cap of 80%). For Customer Positions, this process would occur on a Cross-Margin Customer-by-Cross-Margin Customer basis. In other words, each Cross-Margin Customer’s Customer Positions would form part of a separate Combined Portfolio. This customer-by-customer approach is consistent both with how futures contracts are required to be margined under the rules of the CFTC, as well as how FICC margins Segregated Indirect Participant positions.²⁵

To implement this margin reduction methodology, the Third A&R Agreement would redefine “Combined Portfolio” to mean, in the case of a Pair of Cross-Margin Accounts consisting of Proprietary Cross-Margin Accounts, all Eligible Positions in such Cross-Margin Accounts, and in the case of a Pair of Cross-Margin Accounts consisting of Customer Cross-Margin Accounts, all Eligible Positions of a single Customer in such Cross-Margin Accounts.²⁶ The term “Pair

²² See *id.*

²³ See Section 1 of the proposed Third A&R Agreement.

²⁴ See Section 2(a) of the proposed Third A&R Agreement.

²⁵ 17 CFR 39.13(g)(8)(i); GSD Rules, Rule 4, Section 1b(b).

²⁶ See Section 1 of the proposed Third A&R Agreement.

of Cross-Margining Accounts”, in turn, would be defined to mean a Customer Cross-Margining Account at CME and a Customer Cross-Margining Account at FICC or a Proprietary Cross-Margining Account at CME and a Proprietary Cross-Margining Account at FICC.²⁷ The Third A&R Agreement would clarify that an Eligible BD-FCM would only be able to establish one Pair of Cross-Margining Accounts for each type of Indirect Participants Account offered at FICC under the GSD Rules and that the Customer Positions of the same Cross-Margining Customer may not be maintained in multiple Pairs of Cross-Margining Accounts of the same Eligible BD-FCM.²⁸ This limitation is aimed at ensuring that, as is the case with futures contracts, an Eligible BD-FCM would not be permitted to establish a separate account at the Clearing Organization for a particular customer or group of customers.

In addition to these changes, the Third A&R Agreement would include conforming changes in Section 4 to make clear that the margin calculations are performed on the Combined Portfolio and to provide that Sections 4(c) and 4(e), concerning the ability of the Clearing Organizations to require margin equal to or in excess of the Standalone Margin Requirement, would apply in relation to each Cross-Margining Account.²⁹ The Third A&R Agreement would also make conforming changes to a number of defined terms by:

- Revising the definition of “Cross-Margin Requirement” to refer to the joint amount of Margin required by FICC and CME in connection with a Combined Portfolio as provided for in Section 4(a) of the Third A&R Agreement;

- Revising definitions of “Margin Reduction” and “Variation Margin” to clarify that these terms apply separately with respect to Proprietary Cross-Margining Accounts and Customer Cross-Margining Accounts;

- Further revising the “Variation Margin” definition to reflect that amounts may be owed by or to a Cross-Margining Customer in relation to positions recorded in a Customer Cross-Margining Account;

- Revising the definition of “Stand-Alone Margin Requirement” to provide that it is determined with respect to a particular Cross-Margining Account, and that with regard to a Stand-Alone

²⁷ See *id.*

²⁸ See Section 2(d) of the proposed Third A&R Agreement.

²⁹ See Sections 4(a), (c), and (e) of the proposed Third A&R Agreement.

Margin Requirement of FICC, such requirement is calculated without regard to any netting across positions of multiple Executing Firm Customers in the same Agent Clearing Member Omnibus Account (as such terms are defined in the GSD Rules);

- Revising the definition of “Margin” to include Cross-Margining Customer Margin securing the obligations of a Cross-Margining Customer and to contemplate a Joint Clearing Member having multiple Cross-Margining Accounts; and

- Removing the definition of “Cross-Margin Positions”, which would no longer be used.³⁰

Section 6(b) of the Third A&R Agreement would be revised to require FICC and CME to notify each other in the event a material problem arises with respect to a Cross-Margining Customer in the same manner as they are currently required to do with respect to Cross-Margining Participants.³¹

D. Default Management

The Third A&R Agreement would include certain adjustments to the default management provisions to describe how the Clearing Organizations would address a default of an Eligible BD-FCM that is carrying Customer Positions for Cross-Margining Customers, elaborate on the steps the Clearing Organizations may take in a joint liquidation, and clarify when the Clearing Organizations may manage the default of a Cross-Margining Participant independently of one another.

The Third A&R Agreement would subject Customer Positions to substantially the same default management process as Proprietary Positions. In particular, under Section 7(b) of the Third A&R Agreement, the Clearing Organizations would attempt in good faith to jointly transfer, liquidate, or close-out the Proprietary Positions or Customer Positions, which may include a joint liquidating auction so that hedged positions can be closed-out simultaneously or, in the case of a transfer of Customer Positions, so that the positions of each Cross-Margining Customer in a Combined Portfolio can, if feasible, be transferred to the same clearing firm. Section 7(b) would further provide that if one Clearing Organization determines that such joint action is not feasible or advisable for any Liquidation Portfolio, then either Clearing Organization could buy-out the Proprietary Positions or Customer

³⁰ See Section 1 of the proposed Third A&R Agreement.

³¹ See Section 6(b) of the proposed Third A&R Agreement.

Positions in such Liquidation Portfolio at the other Clearing Organization in accordance with the existing terms of the Third A&R agreement related to buy-outs. Lastly, Section 7(b) would provide that if one Clearing Organization determines that neither the joint transfer, liquidation, or close-out option nor the buy-out option is legally permissible or possible as to a particular Liquidation Portfolio, or if such methods would result in substantially greater losses to each Clearing Organization than in the case of a separate liquidation by each Clearing Organization, the Clearing Organizations could conduct separate liquidations in accordance with the existing terms related to such separate liquidations.³² The Clearing Organizations do not foresee particular circumstances that could lead to separate liquidations being applicable. To the contrary, the Clearing Organizations believe it is highly unlikely that they would engage in separate liquidations. However, the Clearing Organizations believe it is prudent to have a separate liquidation option so that there is a clear methodology in the very unlikely event that some unforeseen circumstance causes it not to be possible or legally permissible to conduct a joint liquidation or buy-out or for such methods to result in substantially greater costs.

The Third A&R Agreement would also include provisions designed to ensure that Customer Positions and associated margin are not used by either Clearing Organization to satisfy obligations arising from Proprietary Positions. The principal mechanism to achieve this would be a new concept of a “Liquidation Portfolio,” which would be defined as, with respect to a Defaulting Member, all such Defaulting Member’s Proprietary Cross-Margin Account(s) or all such Defaulting Member’s Customer Cross-Margin Account(s).³³ The definitions of “Collateral on Hand”, “Net Gain”, “Net Loss”, “Cross-Margin VM Gain”, “Cross-Margin VM Loss”, “Other VM Gain”, “Liquidation Cost”, and “Share of the Cross-Margining Requirement”, in turn, would be revised so that they are separately determined by reference to each Liquidation Portfolio, rather than to a Defaulting Member or Cross-Margining Account.³⁴ The Third A&R Agreement would also provide for the

concept of a “Related GSD Account”, which would be defined as, with respect to a Liquidation Portfolio of a Defaulting Member consisting of Proprietary Cross-Margining Accounts, the “Proprietary Accounts” (as defined in the GSD Rules) of the Defaulting Member at FICC, and with respect to a Liquidation Portfolio of a Defaulting Member consisting of Customer Cross-Margining Accounts, the Indirect Participant Account(s) of the Defaulting Member at FICC.³⁵ In addition, the Third A&R Agreement would revise Sections 7(b) through (g) to clarify that the provisions thereof would apply separately to each Liquidation Portfolio. These changes include replacing certain references to “Cross-Margining Account” with “Liquidation Portfolio,”³⁶ additional language specifying that provisions apply with respect to each Liquidation Portfolio,³⁷ and deletions of language providing for liquidation actions or calculations to be performed with respect to a Defaulting Member.³⁸ In addition, as mentioned above, the definition of “Combined Portfolio” would be revised to mean, in the case of a Pair of Cross-Margining Accounts consisting of Proprietary Cross-Margining Accounts, all Eligible Positions in such Cross-Margining Accounts, and in the case of a Pair of Cross-Margining Accounts consisting of Customer Cross-Margining Accounts, all Eligible Positions of a single Customer in such Cross-Margining Accounts.³⁹

By virtue of these changes, upon a default of a Joint Clearing Member, the Proprietary Positions and associated margin of the Joint Clearing Member would be closed-out and netted into a single Net Gain or Net Loss, and the Customer Positions and associated margin would be separately close-out and netted into a separate Net Gain or Net Loss. As a result of these separate calculations, Customer Positions and associated margin could not be used to satisfy obligations arising under any Proprietary Positions. Similarly, variation margin gains in respect of Customer Positions would not be available to address losses on Proprietary Positions. However, the definition of “Other VM Gains” would be modified to make clear that, if there were Cross-Margin VM Gains in relation to Proprietary Positions at a time when the Clearing Organization with those

Cross-Margin VM Gains also had losses on account of Customer Positions, the VM Gains may first be applied to satisfy the losses on the Customer Positions before being remitted to the other Clearing Organization.⁴⁰

Although the Clearing Organizations would generally close-out and net the Liquidation Portfolios of a Defaulting Member separately, Section 7(a) of the Third A&R Agreement would provide that the decision as to whether to commence the liquidation process with respect to a Joint Clearing Member would be made based on the Joint Clearing Member itself, rather than a particular Liquidation Portfolio. In accordance with this framework, Section 7(a) of the Third A&R Agreement would provide that if one Clearing Organization decides not to take default action against a Defaulting Member following a Default Event (the “Non-Liquidating CO”), the Non-Liquidating CO shall immediately require the Defaulting Member to pay the Non-Liquidating CO in immediately available funds the sum of (x) its Margin Reduction at the other Clearing Organization for all Combined Portfolios of the Defaulting Member, and (y) its Margin Reduction at the Non-Liquidating CO for all Combined Portfolios of the Defaulting Member, within one hour of demand.⁴¹

E. Conforming Changes

The Third A&R Agreement would also include a number of conforming changes in light of the addition of the Customer Cross-Margining Arrangement. These would include new recitals which describe the purpose of the Third A&R Agreement as to establish the Customer Cross-Margining Arrangement, introduce defined terms for the “Proprietary Cross-Margining Arrangement” and “Customer Cross-Margining Arrangement”, and define the prior versions of the agreement as the “Original Agreement”, the “First A&R Agreement”, and the “Second A&R Agreement.” They would also include non-substantive revisions and movements of defined terms as shown in Exhibit 5 to conform to the addition of the Customer Cross-Margining Arrangement and the provisions described above.⁴²

³⁵ *Id.*

³⁶ See Sections 7(c), (d), and (e) of the proposed Third A&R Agreement.

³⁷ See Sections 7(b), (c), (e), (f), and (g) of the proposed Third A&R Agreement.

³⁸ See Section 7(c) of the proposed Third A&R Agreement.

³⁹ See Section 1 of the proposed Third A&R Agreement.

⁴⁰ See *id.*
⁴¹ See Section 7(a) of the proposed Third A&R Agreement.

⁴² See Section 1 of the proposed Third A&R Agreement; *see, e.g.*, Section 3(c) of the proposed Third A&R Agreement (updating references to “Cross-Margining Account(s)” to refer to “Proprietary Cross-Margining Account(s)”; Section 7(a) of the proposed Third A&R Agreement

The Third A&R Agreement would also revise Section 3(b), which sets out certain requirements applicable to positions of Eligible Affiliates, to provide that it does not apply to Proprietary Positions of a Joint Clearing Member or to Customer Positions.⁴³

In addition, the Third A&R Agreement would revise Section 7(i) to clarify that the requirement for a Defaulting Member to reimburse a Clearing Organization in the event that the Clearing Organization is obligated to make a guaranty payment to the other Clearing Organization in respect of an obligation of such Defaulting Member applies in respect of the obligations of any Cross-Marginizing Customer.⁴⁴

F. Clarifying Edits

The Third A&R Agreement would also include a number of clarifying edits not specifically related to the Customer Cross-Marginizing Arrangement. Specifically, Section 2(f) of the Third A&R Agreement would specify that FICC or CME may terminate the participation of a particular Cross-Marginizing Participant with respect to some or all Cross-Marginizing Accounts of the Cross-Marginizing Participant upon two business days' prior written notice to the other Clearing Organization, provided that no such termination would be effective with respect to any reimbursement obligation or guaranty with respect to such Cross-Marginizing Participant that was incurred prior to such termination, or with respect to Section 7 of the Third A&R Agreement until the Stand-Alone Margin Requirement with respect to each Cross-Marginizing Account subject to such termination has been fully satisfied.⁴⁵

The Third A&R Agreement would also include a new Section 5 to make clear that, as is currently the case, the collateral acceptable to satisfy the Cross-Margin Requirement must meet the respective eligibility requirements of the Clearing Organization to which the collateral is posted.⁴⁶

In addition, the titles of the Proprietary Cross-Marginizing Agreements in Appendix A and Appendix B of the Third A&R Agreement would be amended to specify that they are for use in

(updating a reference to "Eligible Affiliates" to refer to "Eligible Affiliates or Customers").

⁴³ See Section 3(b) of the proposed Third A&R Agreement.

⁴⁴ See Section 7(i) of the proposed Third A&R Agreement.

⁴⁵ See Section 2(f) of the proposed Third A&R Agreement.

⁴⁶ See Recitals, Section 1, and Section 5 of the proposed Third A&R Agreement.

connection with the Proprietary Cross-Marginizing Arrangement.⁴⁷

G. Customer Cross-Marginizing Clearing Member Agreement

As described above, an Eligible BD-FCM would be required to enter into the Customer Cross-Marginizing Clearing Member Agreement in order to participate in the Customer Cross-Marginizing Agreement. The Customer Cross-Marginizing Clearing Member Agreement would be set forth in Appendix C to the Third A&R Agreement.⁴⁸

The Customer Cross-Marginizing Clearing Member Agreement would be modeled on the Proprietary Clearing Member Agreement in Appendix A of the Second A&R Agreement (the "Existing Joint Clearing Member Proprietary Clearing Member Agreement"), with changes designed to facilitate compliance with the conditions in the Proposed Orders and to clarify the rights and obligations of the Clearing Organizations, the Eligible BD-FCM, and the Cross-Marginizing Customers.⁴⁹

The first three paragraphs of the Customer Cross-Marginizing Clearing Member Agreement would be substantially identical to those of the Existing Joint Clearing Member Proprietary Clearing Member Agreement, except that the first paragraph would note that the Eligible BD-FCM is electing to become a Cross-Marginizing Participant for purposes of the Customer Cross-Marginizing Arrangement, rather than the Cross-Marginizing Arrangement generally, and the third paragraph (concerning the Eligible BD-FCM's payment obligations) would reference the payment obligations arising in respect of Customer Cross-Marginizing Accounts.

The Customer Cross-Marginizing Clearing Member Agreement would provide that the Eligible BD-FCM makes application to the Clearing Organizations to establish a Customer Cross-Marginizing Account at CME and one or more Customer Cross-Marginizing Accounts at FICC in the name of the

⁴⁷ See Appendix A "Fixed Income Clearing Corporation/Chicago Mercantile Exchange Inc. Cross-Marginizing Participant Agreement (Common Member) [Proprietary Cross-Marginizing Program]" of the proposed Third A&R Agreement; Appendix B "Fixed Income Clearing Corporation/Chicago Mercantile Exchange Inc. Cross-Marginizing Participant Agreement (Common Member) [Proprietary Cross-Marginizing Program]" of the proposed Third A&R Agreement.

⁴⁸ See Appendix C "Fixed Income Clearing Corporation/Chicago Mercantile Exchange Inc. Cross-Marginizing Participant Agreement (Common Member) [Customer Cross-Marginizing Program]" of the proposed Third A&R Agreement.

⁴⁹ See *id.*

Eligible BD-FCM, and clarify that each such account would be in addition to any Proprietary Cross-Marginizing Account of the Eligible BD-FCM established pursuant to the Third A&R Agreement. The Customer Cross-Marginizing Clearing Member Agreement would provide that each Customer Cross-Marginizing Account shall be limited to transactions and positions carried by the Eligible BD-FCM for Cross-Marginizing Customers who have signed a Customer Agreement. The Eligible BD-FCM would be required to agree that it shall not commence clearing transactions through or carrying positions in a Customer Cross-Marginizing Account for any Cross-Marginizing Customer until such Cross-Marginizing Customer has executed a Customer Agreement.

The Eligible BD-FCM would be required under the Customer Cross-Marginizing Clearing Member Agreement to indemnify and hold harmless the Clearing Organizations, their respective directors, officers and employees and each person, if any, who controls either of the Clearing Organizations against any claims, losses, liabilities and expenses, including, without limitation, reasonable legal fees and expenses and amounts paid or payable in settlement of any action, proceeding or investigation arising from any claim by any party resulting from the carrying of positions in a Customer Cross-Marginizing Account that belong to any person other than a Cross-Marginizing Customer for whom a Customer Agreement is in effect.

The Customer Cross-Marginizing Clearing Member Agreement would provide that the Eligible BD-FCM, as agent for each of its Cross-Marginizing Customers, (i) unconditionally promises immediate payment of any payment or reimbursement obligations to a Clearing Organization arising under the Third A&R Agreement or the GSD Rules or rules of CME in respect of a Cross-Marginizing Customer's positions in a Customer Cross-Marginizing Account, and (ii) agrees that each Cross-Marginizing Customer is bound by the GSD Rules and the rules of CME as applicable to them and by the provisions of the Customer Cross-Marginizing Clearing Member Agreement and the Third A&R Agreement. The Eligible BD-FCM would also be required to represent and warrant to the Clearing Organizations that it has full power and authority to bind each of its Cross-Marginizing Customers to the terms in the foregoing sentence.

The Customer Cross-Marginizing Clearing Member Agreement would also provide for the Eligible BD-FCM to

pledge, as security for its and its Cross-Marginating Customers' present and future payment and reimbursement obligations to FICC and CME arising from its Customer Cross-Marginating Accounts or otherwise under the Customer Cross-Marginating Clearing Member Agreement on behalf of itself and each Cross-Marginating Customer, and grant to each Clearing Organization a first priority continuing security interest in, lien on and right of set-off against all of the positions, margin deposits or other property held by or subject to the control of or owing from either Clearing Organization including any and all Net Gains in respect of the Eligible BD-FCM's Customer Cross-Marginating Accounts and the proceeds in respect thereof.

The Eligible BD-FCM would also provide for the Eligible BD-FCM to agree that (i) the rights of each Clearing Organization set forth in the preceding paragraph are in addition to any other rights arising out of the NYUCC or other statute, common law, or governmental regulation, or under their respective rules, (ii) the Eligible BD-FCM will execute, deliver, file and record any financing statement, specific assignment or other document and take any other action necessary or desirable and reasonably requested by FICC or CME to create, preserve, perfect or validate the security interest or lien granted in this paragraph, to enable such Clearing Organization to exercise or enforce its rights, (iii) the Eligible BD-FCM will promptly give notice to the Clearing Organizations of, and defend against, any suit, action, proceeding or lien that involves or could adversely affect the security interest and lien granted by the Eligible BD-FCM, and (iv) the Eligible BD-FCM authorizes FICC to comply with CME's entitlement orders with respect to any Cross-Marginating Customer Margin pursuant to the Third A&R Agreement without further consent of the Eligible BD-FCM or Cross-Marginating Customer for whom such Cross-Marginating Customer Margin is held. Clauses (i) through (iii) broadly align with the Existing Joint Clearing Member Proprietary Clearing Member Agreement, while clause (iv) would be designed to facilitate the perfection of CME's security interest in the Cross-Marginating Customer Margin and help ensure that Cross-Marginating Customer Margin is treated as "customer property" under Part 190 of the CFTC's regulations, as described in the Petitions.

The Customer Cross-Marginating Clearing Member Agreement would contain the same provision regarding the disclosure of Clearing Data as in the

Existing Joint Clearing Member Proprietary Clearing Member Agreement. Consistently with the Existing Joint Clearing Member Proprietary Clearing Member Agreement, it would also provide that neither FICC nor CME guarantees to the Eligible BD-FCM that the calculation of the margin reduction for a Combined Portfolio pursuant to the Third A&R Agreement will yield any, or the highest possible, margin reduction for the Combined Portfolio. The Customer Cross-Marginating Clearing Member Agreement would also, as in the Existing Joint Clearing Member Proprietary Clearing Member Agreement, provide that, without limiting any provision of the GSD Rules, the rules of CME or any other agreement between the Eligible BD-FCM and FICC or CME, any transfer by the Eligible BD-FCM or any Cross-Marginating Customer of any rights it may have in the Net Gain (or any component thereof) shall be null and void and, in any event, subject to the prior payment in full of all payment and reimbursement obligations under the Third A&R Agreement. The Customer Cross-Marginating Clearing Member Agreement would contain the same representations as the Existing Joint Clearing Member Proprietary Clearing Member Agreement, except those concerning the proprietary nature of the positions and Eligible Affiliates.

The Customer Cross-Marginating Clearing Member Agreement would specify that the Eligible BD-FCM may terminate the Customer Cross-Marginating Clearing Member Agreement upon two business day's written notice to FICC and CME, and that such termination shall be effective upon written acknowledgement by both FICC and CME provided that (i) all positions in the Customer Cross-Marginating Accounts have been closed-out or transferred to other accounts in accordance with the GSD Rules or the rules of CME, and (ii) all Stand-alone Margin Requirement in respect of any such transferred positions and all obligations of the Eligible BD-FCM to the Clearing Organizations in respect of the Customer Cross-Marginating Accounts have been fully satisfied.

The Customer Cross-Marginating Clearing Member Agreement would also specify that either Clearing Organization may terminate the Eligible BD-FCM's participation with respect to any Customer Cross-Marginating Account (defined as an "Affected Customer Cross-Marginating Account") of the Eligible BD-FCM at any time upon written notice to the other Clearing Organization pursuant to the Third A&R Agreement and to the Eligible BD-FCM. In connection with such termination,

the Clearing Organizations would be permitted to require the Eligible BD-FCM to close-out or transfer all positions in the Affected Customer Cross-Marginating Accounts in accordance with the GSD Rules or the rules of CME, and the Customer Cross-Marginating Clearing Member Agreement would thereupon terminate with respect to Affected Customer Cross-Marginating Accounts, provided that the Stand-alone Margin Requirement in respect of the transferred positions and all obligations of the Eligible BD-FCM to the Clearing Organizations in respect of the Affected Customer Cross-Marginating Accounts have been fully satisfied.

The Customer Cross-Marginating Clearing Member Agreement would also include the same governing law, choice-of-jurisdiction, and execution in counterparts provisions as the Existing Joint Clearing Member Proprietary Clearing Member Agreement. The Customer Cross-Marginating Clearing Member Agreement would also provide that it would become effective upon the later of execution of the Customer Cross-Marginating Clearing Member Agreement, or on the receipt of all necessary regulatory approvals from the Commission and the CFTC.

H. Customer Agreement

The Customer Agreement would include the terms of the Subordination Agreement and acknowledgements corresponding to the disclosures required by the Proposed Orders.⁵⁰ In particular, the Customer Agreement would require the Cross-Marginating Customer to acknowledge and agree that:

- it agrees to the terms of the Subordination Agreement, under which the Cross-Marginating Customer agrees that all of its Customer Positions and Customer Property (including any margin at FICC) (i) will not receive customer treatment under the Exchange Act or SIPA or be treated as "customer property" as defined in 11 U.S.C. 741 in a liquidation of Clearing Member, and (ii) will be subject to any applicable protections under Subchapter IV of Chapter 7 of the U.S. Bankruptcy Code and rules and regulations thereunder including Part 190 of the CFTC's Regulations ("Part 190"), and that the Cross-Marginating Customer's claims to "customer property" as defined in SIPA or 11 U.S.C. 741 against the Eligible BD-FCM with respect to its Customer Positions and Customer Property (including any margin held at FICC) will

⁵⁰ See Appendix C, Exhibit I "Customer Required Terms Annex or Agreement" of the proposed Third A&R Agreement.

be subordinated to the claims of all other customers, as the term “customer” is defined in 11 U.S.C. 741 or SIPA;⁵¹

- all money, securities and property deposited with the Eligible BD-FCM by the Cross-Margining Customer to margin, guarantee or secure Customer Positions (the “Customer Property”) will be held in a “futures account” as defined in CFTC Regulation 1.3 and subject to CEA Section 4d(a) and (b);⁵²
- its Customer Positions and associated margin may be commingled with the positions and property of other customers of the Eligible BD-FCM and may be used by the Eligible BD-FCM to purchase, margin, secure, settle, or otherwise carry positions on behalf of the Cross-Margining Customer or other futures customers of the Eligible BD-FCM;⁵³

• property held in connection with Customer Positions will be treated in a manner consistent with the CFTC Order and that such property held on the Cross-Margining Customer’s behalf by the Eligible BD-FCM will be customer property received by an FCM to be accounted for, treated and dealt with by such FCM in a manner consistent with Section 4d of the CEA;⁵⁴

- in the event a Clearing Organization suspends or ceases to act for Clearing Member, it shall be within the sole discretion of the Clearing Organizations to determine whether to transfer, liquidate, or settle Customer Positions in the relevant Customer Cross-Margining Account;⁵⁵

- its participation in the Customer Cross-Margining Arrangement is subject to the terms of (i) the Third A&R Agreement, (ii) the Customer Cross-Margining Clearing Member Agreement, and (iii) the GSD Rules and the rules of CME;⁵⁶ and

- if CME determines at any time that any Eligible Positions of the Cross-Margining Customer cleared through the Customer Cross-Margining Account at CME are non-risk reducing, CME may either restrict the Cross-Margining Customer from adding positions or require the Cross-Margining Customer to move or liquidate Eligible Positions in the Customer Cross-Margining Account at CME;⁵⁷

The Customer Agreement would also require the Cross-Margining Customer to pledge, as security for the Cross-Margining Customer’s present and

future payment and delivery obligations in respect of its Customer Positions (including, without limitation, any obligation of the Cross-Margining Customer to reimburse the Eligible BD-FCM as a result of the Eligible BD-FCM’s performance of such obligations), and grant to the Eligible BD-FCM a continuing security interest in, lien on and right of set-off against its right, entitlement, and interest in all of positions in each Customer Cross-Margining Account, all margin posted by the Cross-Margining Customer in connection with such positions, and the proceeds in respect thereof.⁵⁸ The Customer Agreement would also require the Cross-Margining Customer to agree that the Eligible BD-FCM may enter into agreements with the Clearing Organizations on the Cross-Margining Customer’s behalf as set forth in the Customer Cross-Margining Clearing Member Agreement.⁵⁹

(ii) Other Proposed Changes to the GSD Rules

A. Overview

FICC is proposing to make a number of changes to the GSD Rules to effectuate the Customer Cross-Margining Arrangement.

First, FICC proposes to create a new position Account type, the “Cross-Margining Customer Account,” in which Customer Positions would be recorded. The Cross-Margining Customer Account would constitute an “Indirect Participants Account.” A Netting Member that is an Eligible BD-FCM and approved participant in the Customer Cross-Margining Arrangement would be permitted to designate an Indirect Participants Account (other than a Segregated Indirect Participants Account) as a Cross-Margining Customer Account.⁶⁰ Any such designation would constitute a representation to FICC by the Netting Member that the Netting Member has complied with all regulatory requirements applicable to it in connection with its participation in the Customer Cross-Margining Arrangement, including the conditions in the Proposed Orders, and this representation would be deemed repeated each time the Netting Member

deposits Cross-Margining Customer Margin.

Second, FICC proposes to adopt rule changes to set forth how FICC would calculate, collect, and hold margin for positions recorded in a Cross-Margining Customer Account. As noted above, FICC proposes to collect and hold Cross-Margining Customer Margin pursuant to substantially similar provisions as apply to Segregated Customer Margin, with certain modifications to satisfy the requirements of the Proposed Orders and align with the treatment of futures margin. Specifically:

- Consistent with Segregated Customer Margin and in accordance with the Proposed Orders, FICC would credit all Cross-Margining Customer Margin deposited by a Netting Member to a “securities account”, as defined in the NYUCC,⁶¹ on its books and records maintained for that Netting Member for the benefit of its Cross-Margining Customers (*i.e.*, a Cross-Margining Customer Margin Custody Account). The GSD Rules would further provide that all cash and securities credited to the Cross-Margining Customer Margin Custody Account shall be treated as “financial assets” within the meaning of Article 8 of the NYUCC, New York shall be the “securities intermediary’s jurisdiction” for purposes of the NYUCC and New York law shall govern all issues specified in Article 2(1) of the Hague Securities Convention.⁶² Such provisions are designed to ensure the Cross-Margining Customer Margin would not form part of FICC’s estate in the event FICC became subject to insolvency proceedings. They would also facilitate the ability of CME to perfect its security interest in the Cross-Margining Customer Margin. Such perfection would serve to protect CME, and in turn both the Cross-Margining Customers and the non-participating futures customers in the event of a Cross-Margining Participant default. It would also aim to ensure that the Cross-Margining Customer Margin is treated as “customer property” under Part 190 in the event of an Eligible BD-FCM’s insolvency, by helping to establish that the Cross-Margining Customer Margin is held to secure the futures positions of customers.

- In accordance with the Proposed Orders, FICC would hold Cross-Margining Customer Margin in (i) an account of FICC at a bank insured by the Federal Deposit Insurance Corporation

⁵⁸ See *id.*, Section 4.

⁵⁹ See *id.*, Section 5.

⁶⁰ As mentioned above, the Third A&R Agreement would provide that a Netting Member may only designate one Sponsoring Member Omnibus Account and one Agent Clearing Member Omnibus Account as a Cross-Margining Customer Account. See Section 2(d) of the proposed Third A&R Agreement.

⁶¹ NYUCC § 8-501(a).

⁶² NYUCC § 8-102(9); NYUCC § 8-110(e); The Convention on the Law Applicable to Certain Rights in Respect of Securities Held with an Intermediary, July 5, 2006, 17 U.S.T. 401, 46 I.L.M. 649 (entered into force April 1, 2017).

⁵¹ See *id.*, Section 2(b).

⁵² See *id.*, Section 2(a).

⁵³ See *id.*, Section 2(c).

⁵⁴ See *id.*

⁵⁵ See *id.*, Section 2(d).

⁵⁶ See *id.*, Section 3.

⁵⁷ See *id.*

(“FDIC”) that is segregated from any other account of FICC and used exclusively to hold Cross-Margining Customer Margin, and (ii) an account at the FRBNY that is segregated from any other account of FICC and used exclusively to hold Segregated Customer Margin and Cross-Margining Customer Margin. The GSD Rules would provide that any such account (other than one at the FRBNY) would need to be subject to a written notice consistent with the Proposed Orders.

• The same requirements applicable to Segregated Customer Margin with respect to the form and composition of eligible collateral, the minimum amounts of cash and Eligible Clearing Fund Treasury Securities, substitution and withdrawal, and treatment of excess margin would be applicable to Cross-Margining Customer Margin, except that (i) a Netting Member’s rights or FICC’s obligation with respect to any excess Cross-Margining Customer Margin would be subject to the Third A&R Agreement and the Customer Cross-Margining Clearing Member Agreement, and (ii) FICC would be permitted to retain the excess Cross-Margining Customer Margin deposited by a Netting Member with respect to a Cross-Margining Customer when the Netting Member has any outstanding payment or margin obligation arising from any Customer Positions, including those of another Cross-Margining Customer.

With regard to calculation, FICC proposes that, as with Segregated Customer Margin and in accordance with the requirements of the Proposed Orders, FICC would calculate the margin requirement in respect of each Cross-Margining Customer Account (the “Cross-Margining Customer Margin Requirement”) on a gross (*i.e.*, Cross-Margining Customer-by-Cross-Margining Customer) basis, as though each Cross-Margining Customer were a separate Netting Member. However, such margin requirement would be subject to any margin reduction pursuant to the Third A&R Agreement (which, as discussed above, would be determined using the same margin reduction methodology under Proprietary Cross-Margining Arrangement).

Third, FICC proposes to provide that Cross-Margining Customer Margin would be pledged to FICC to secure all obligations of the Netting Member and its Cross-Margining Customers arising under Customer Positions.⁶³

⁶³ We note that in this regard, unlike Segregated Customer Margin, FICC would be able to use all Cross-Margining Customer Margin to satisfy the obligations arising from all Customer Positions

Fourth, FICC proposes to remove the existing Section 10(e) of Rule 3A, which currently prohibits Sponsored Members from participating in the Cross-Margining Arrangement.

Fifth, FICC proposes to make conforming changes to Rule 43, which sets out the terms related to Cross-Margining Arrangements, so that the Rule encompasses the Customer Cross-Margining Arrangement. In particular, FICC proposes to specify in Rule 43 that a Netting Member that is an Eligible BD-FCM may become a Cross-Margining Participant in connection with the Customer Cross-Margining Arrangement with the consent of FICC and CME. An Eligible BD-FCM would become such a Cross-Margining Participant and be permitted to establish a Cross-Margining Customer Account upon acceptance by FICC and CME of an executed Customer Cross-Margining Clearing Member Agreement. FICC further proposes to make clear that if FICC becomes obligated to make a payment to CME pursuant to the cross-guaranty under the Third A&R Agreement in relation to the obligations of a Cross-Margining Customer, both the Cross-Margining Customer and the relevant Eligible BD-FCM would be responsible for the reimbursement obligation that is owed to FICC as a result. If FICC receives a payment from CME pursuant to the Third A&R Agreement in connection with the Customer Cross-Margining Arrangement, FICC would not be permitted to apply such payment to any obligation other than the obligations of Cross-Margining Customers (whether or not arising in connection with any Eligible Positions).

Lastly, FICC proposes to remove provisions relating to “Market Professional” and “Market Professional Agreement for Cross-Margining” from the GSD Rules. Those provisions were adopted in connection with a “market professional” cross-margining program between FICC and New York Portfolio Clearing, LLC.⁶⁴ That program—which permitted certain “market professional” customers of Netting Members to participate in cross-margining—is no

recorded in the same Cross-margining Customer Account, even if such Customer Positions are not the particular ones of the individual Cross-Margining Customer that posted such margin. This treatment would be consistent with how futures customer margin is generally treated.

⁶⁴ See Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving Proposed Rule Change To Expand the One-Pot Cross-Margining Program With New York Portfolio Clearing, LLC to Certain “Market Professionals”, 77 FR 30032 (May 21, 2012).

longer active as New York Portfolio Clearing, LLC has since become defunct.

B. Summary of Proposed Rule Changes

To effectuate the proposed changes described above, FICC proposes to make the following amendments to its Rules.

New Defined Terms. FICC would revise Rule 1 to add the following new defined terms: (1) “Cross-Margining Customer”, (2) “Cross-Margining Customer Account”, (3) “Cross-Margining Customer Margin Custody Account”, (4) “Cross-Margining Customer Margin”, (5) “Cross-Margining Customer Margin Requirement”, and (6) “Customer Cross-Margining Arrangement.”

The term “Cross-Margining Customer” would mean a Sponsored Member or Executing Firm Customer whose Transactions are recorded in a Cross-Margining Customer Account.

The term “Cross-Margining Customer Account” would mean an Indirect Participants Account maintained by FICC for a Sponsoring Member or an Agent Clearing Member that has been designated pursuant to Rule 2B for purposes of recording Transactions of Cross-Margining Customers.

The term “Cross-Margining Customer Margin Custody Account” would mean a securities account within the meaning of the NYUCC maintained by FICC, in its capacity as securities intermediary as such term is used in the NYUCC, for an Agent Clearing Member or Sponsoring Member for the benefit of such Member’s Cross-Margining Customers.

The term “Cross-Margining Customer Margin” would mean all securities and funds deposited by a Sponsoring Member or an Agent Clearing Member with FICC to satisfy its Cross-Margining Customer Margin Requirement.

The term “Cross-Margining Customer Margin Requirement” would mean the amount of cash or Eligible Clearing Fund Securities that an Agent Clearing Member or Sponsoring Member is required to deposit with FICC to support the obligations arising from Transactions recorded in its Cross-Margining Customer Accounts.

Specifically, a Netting Member’s Cross-Margining Customer Margin Requirement would be the amount of the item listed in Section 2(a)(vii) of Rule 4 (as described below). This definition would specify that references to the Cross-Margining Customer Margin Requirement “for” or “with respect to” a particular Cross-Margining Customer Account or Cross-Margining Customer (or similar language) would mean the portion of a Netting Member’s Cross-Margining Customer Margin

Requirement arising from such Account or Cross-Margin Customer.

The term “Customer Cross-Margining Arrangement” would mean a Cross-Margining Arrangement pursuant to which a Cross-Margining Participant, at the discretion of FICC and in accordance with the provisions of Rule 43, may elect to have any of its Cross-Margining Customers’ margin requirement in respect of Eligible Positions at FICC and such Cross-Margining Customer’s margin requirements in respect of Eligible Positions at a clearing organization for a board of trade designated as a contract market under Section 5 of the CEA that has entered into a Cross-Margining Agreement with FICC (an “FCO”) calculated by taking into consideration the net risk of such Eligible Positions at each of the clearing organizations.

Revisions to Defined Terms. In addition, FICC would make conforming revisions to the following defined terms in Rule 1: (1) “Cross-Margining Affiliate,” (2) “Cross-Margining Agreement” (3) “Current Net Settlement Positions,” (4) “Indirect Participants Account,” and (5) “Type of Account” and “Type.”

FICC proposes to amend the definition to “Cross-Margining Affiliate” to remove existing prong (ii), which relates to the “market professional” cross-margining program.

FICC proposes to amend the definition to “Cross-Margining Agreement” to encompass the Customer Cross-Margining Arrangement by specifying that the applicable Cross-Margining Participant may have any of its Cross-Margining Customers’ margin requirement in respect of Eligible Positions at FICC and such Cross-Margining Customer’s margin requirements in respect of Eligible Positions at a relevant FCO calculated by taking into consideration the net risk of such Eligible Positions at each of the clearing organizations. FICC also proposes to remove the last sentence of this definition, which relates to the “market professional” cross-margining program.

FICC proposes to make conforming edits to the definition of “Current Net Settlement Positions” to add references to “Cross-Margining Customer,” “Cross-Margining Customer Account,” and “Cross-Margining Customer Margin Requirement” after each reference to “Segregated Indirect Participant,” “Segregated Indirect Participants Account,” and “Segregated Customer Margin Requirement,” respectively.

FICC proposes to amend the definitions of “Indirect Participants Account,” “Type of Account” and

“Type” to include a Cross-Margining Customer Account.

Removal of defined terms. FICC proposes to remove the following defined terms from Rule 1: (1) “Market Professional” and (2) “Market Professional Agreement for Cross-Margining.”

Establishment of Cross-Margining Customer Accounts. FICC proposes to amend Section 3 of Rule 2B to provide that a Cross-Margining Customer Account may not be designated as a Segregated Indirect Participants Account.

In addition, FICC proposes to add a new Section 3a of Rule 2B to provide that (i) a Netting Member that is an Eligible BD-FCM and has been approved to become a Cross-Margining Participant in a Customer Cross-Margining Arrangement pursuant to a Cross-Margining Agreement may designate any of its Indirect Participants Accounts (other than a Segregated Indirect Participants Account) as a Cross-Margining Customer Account; (ii) any such designation of an Account shall constitute a representation to FICC by the Netting Member that the Netting Member has complied with all regulatory requirements applicable to it in connection with its participation in the Customer Cross-Margining Arrangement, including the conditions in the Proposed Orders; and (iii) the Netting Member shall be deemed to repeat this representation each time it deposits Cross-Margining Customer Margin.

Treatment of Cross-Margining Customer Margin. FICC proposes to make the following changes in relation to FICC’s calculation, collection, and holding of Cross-Margining Customer Margin:

FICC proposes to amend Section 1a of Rule 4 to make clear that FICC’s account at the FRBNY that is currently used to hold Segregated Customer Margin would also hold Cross-Margining Customer Margin.

FICC proposes to renumber current Section 1b of Rule 4 to Section 1c and add a new Section 1b. The new Section 1b would provide that:

- Each Netting Member shall deposit Cross-Margining Customer Margin with FICC in an amount equal to its Cross-Margining Customer Margin Requirement, which requirement shall be determined in accordance with Rule 4 and the Margin Component Schedule. The timing of the satisfaction of the Cross-Margining Customer Margin Requirement shall be determined in accordance with the provisions of Section 9 of Rule 4.

- FICC shall establish and maintain on its books and records a Cross-Margining Customer Margin Custody Account to which all Cross-Margining Customer Margin deposited with FICC shall be credited. The Cross-Margining Customer Margin credited to a Cross-Margining Customer Margin Custody Account shall be used exclusively to secure the present and future payment and reimbursement obligations of the Netting Member and its Cross-Margining Customers in relation to Eligible Positions of the Netting Member’s Cross-Margining Customers at FICC and CME.

- All assets credited to each Cross-Margining Customer Margin Custody Account shall be treated as “financial assets” within the meaning of Article 8 of the NYUCC. New York is the “securities intermediary’s jurisdiction” for purposes of the NYUCC and New York law shall govern all issues specified in Article 2(1) of the Hague Securities Convention.

- FICC shall hold all Cross-Margining Customer Margin in an account of FICC at an FDIC-insured bank within the meaning of the Exchange Act that is a qualified custodian under the Investment Company Act of 1940, as amended, or at the FRBNY. Any account at an FDIC-insured bank shall be segregated from any other account of FICC and shall be used exclusively to hold Cross-Margining Customer Margin, and shall be subject to a written notice of the bank provided to and retained by FICC consistent with the Proposed Orders. The account at the FRBNY shall be segregated from any other account of FICC and shall be used exclusively to hold Cross-Margining Customer Margin and Segregated Customer Margin (the account at the FRBNY would not be subject to a written notice).

FICC proposes to amend current Section 1b (to be renumbered as Section 1c) of Rule 4 to (i) add references to “Cross-Margining Customer Accounts” after references to “Segregated Indirect Participants Accounts” in current Section 1b(a), and (ii) add a new sentence at the end of current Section 1b(b) to provide that FICC would calculate the Cross-Margining Customer Margin Requirement for a Cross-Margining Customer Account as the sum of the requirements applicable to each Cross-Margining Customer whose Transactions are recorded in such Account, as though each such Cross-Margining Customer were a separate Netting Member with a single Margin Portfolio consisting of such Transactions, in accordance with the Margin Component Schedule.

FICC proposes to amend Section 2 of Rule 4 by (i) adding references to

“Cross-Margining Customer Margin Requirement” after references to “Segregated Customer Margin Requirement” in the title of Section 2 and Section 2(a), and (ii) adding a new clause (vii) of Section 2(a) to specify that the Cross-Margining Customer Margin Requirement would be an amount calculated with respect to the Netting Member’s Cross-Margining Customer Accounts.

FICC proposes to add a new Section 2c of Rule 4 entitled “Cross-Margining Customer Margin Requirement” to provide that (i) each Netting Member shall deposit any Cross-Margining Customer Margin with FICC by the Required Fund Deposit Deadline through a separate Deposit ID established by the Netting Member for each Cross-Margining Customer Account, and (ii) FICC shall report the Cross-Margining Customer Margin Requirements to each Netting Member twice daily in a Report which shall specify the Cross-Margining Customer Margin Requirement for each Cross-Margining Customer Account.

FICC proposes to add a new Section 3(d) of Rule 4 and insert it before the last sentence of Section 3. The new Section 3(d) would provide that each Cross-Margining Customer Margin Requirement for a particular Cross-Margining Customer Account would be subject to the requirements that (i) a minimum of 40 percent of the Cross-Margining Customer Margin Requirement for such Account shall be satisfied with cash and/or Eligible Clearing Fund Treasury Securities, and (ii) a minimum of the product of \$1 million and the number of Cross-Margining Customers whose Transactions are recorded in such Cross-Margining Account must be made and maintained in cash. In addition, FICC proposes to amend the last sentence of Section 3 by adding a reference to “Cross-Margining Customer Margin Requirement” after the reference to “Segregated Indirect Participants Requirement.”

FICC proposes to amend Section 3a of Rule 4 to add a reference to “Cross-Margining Customers” after the reference to “Segregated Indirect Participants.” FICC also proposes to amend Section 3b of Rule 4 to add a reference to “Cross-Margining Customer Margin Custody Account” after the reference to “Segregated Customer Margin Custody Account.”

FICC proposes to amend Sections 3a, 3b, and 9 of Rule 4 to add references to “Cross-Margining Customer Margin,” after each reference to “Segregated Customer Margin.” FICC also proposes to amend Sections 3b and 9 of Rule 4

to add references to “Cross-Margining Customer Margin Requirement,” after each reference to “Segregated Customer Margin Requirement.”

FICC proposes to add a new Section 4(c) of Rule 4 to provide that (i) as security for any and all obligations and liabilities of a Netting Member and any of its Cross-Margining Customers to FICC arising out of or in connection with any Cross-Margining Customer Accounts of such Netting Member or Transactions recorded therein, each such Netting Member on behalf of itself and its Cross-Margining Customers grants to FICC a first priority perfected security interest in its right, title and interest in and to all Cross-Margining Customer Margin, each Cross-Margining Customer Margin Custody Account, and all distributions thereon and proceeds thereof, and (ii) FICC shall be entitled to exercise the rights of a pledgee under common law and a secured party under Articles 8 and 9 of the NYUCC with respect to such assets.

FICC proposes to amend Section 5 of Rule 4 by (i) adding a reference to “Cross-Margining Customer Margin” after the reference to “Segregated Customer Margin” in the title of Section 5, and (ii) adding a new paragraph at the end of Section 5 to provide that FICC shall only use Cross-Margining Customer Margin deposited by a Netting Member to (A) secure the Transactions of Cross-Margining Customers of such Netting Member recorded in any Cross-Margining Customer Account and satisfy payment and delivery obligations owing to FICC (including liquidating or otherwise using such Cross-Margining Customer Margin to obtain relevant cash or securities) in connection with a default in respect of such Transactions; and (B) for investment in U.S. Treasury securities with a maturity of one year or less.

FICC proposes to amend Section 10 of Rule 4 by (i) adding a reference to “Cross-Margining Customer Margin” after the reference to “Segregated Customer Margin” in the title of Section 10, (ii) amending the first paragraph of Section 10 to require FICC to separately determine whether the amount of Cross-Margining Customer Margin supporting a Cross-Margining Customer’s Transactions is in excess of the Cross-Margining Customer Margin Requirement for such Cross-Margining Customer (“Excess Cross-Margining Customer Margin”), and (iii) adding a new Section 10(c) to provide that upon a Member’s request, and in accordance with such procedures as FICC may set forth from time to time, the Corporation shall return to the Member its Excess Cross-Margining Customer Margin,

subject to the minimum amount of cash or Eligible Clearing Fund Securities required to be maintained pursuant to the GSD Rules (valued at their collateral value on the day of such withdrawal) and the terms of the Third A&R Agreement and Customer Cross-Margining Clearing Member Agreement, as the Member requests, provided that, subject to the Third A&R Agreement and the Customer Cross-Margining Clearing Member Agreement, and except to the extent required by applicable law or authorized by the Commission, FICC shall not retain Excess Cross-Margining Customer Margin due to any obligations of the Member unrelated to a Cross-Margining Customer Account of such Member. Section 10(c) of Rule 4 would further provide that FICC may, at its discretion, retain some or all of the Excess Cross-Margining Customer Margin if the Member has an outstanding payment or margin obligation to the Corporation with respect to the Transactions of any Cross-Margining Customer.

FICC proposes to amend the Margin Component Schedule to set out how Cross-Margining Customer Margin Requirements would be determined. Specifically, FICC proposes to insert a new paragraph at the end of Section 1 to provide that (i) on each Business Day, each Netting Member for which FICC maintains a Cross-Margining Customer Account shall be required to deposit with FICC Cross-Margining Customer Margin equal to the sum of all Cross-Margining Customer Margin Requirements for all such Accounts, (ii) each Cross-Margining Customer Margin Requirement shall equal the sum of the amounts calculated pursuant to Section 3a of the Margin Component Schedule for each Cross-Margining Customer whose Transactions are recorded in the relevant Cross-Margining Customer Account, and (iii) each such calculation shall be performed twice daily or on a more frequent basis if FICC deems it appropriate pursuant to the Margin Component Schedule and subject to the provisions of Rule 4. Further, FICC proposes to add a new Section 3a to the Margin Component Schedule titled “Cross-Margining Customer Margin Requirement Calculations” to set out how specifically such requirement would be calculated, which would be substantially identical to how Segregated Customer Margin Requirement is calculated as set out in Section 3 of the Margin Component Schedule. Finally, FICC proposes to amend Section 5 to add references to “Cross-Margining Customer,” “Cross-Margining Customer Account,” and

“Cross-Margining Customer Margin Requirement” after each reference to “Segregated Indirect Participant,” “Segregated Indirect Participants Account,” and “Segregated Customer Margin Requirement,” respectively.

Description of the Customer Cross-Margining Arrangement. FICC proposes to amend Rule 43 to explicitly describe the Customer Cross-Margining Arrangement as follows:

FICC proposes to add a new Section 2(c) of Rule 43 to provide that (i) a Netting Member that is an Eligible BD-FCM may become a Cross-Margining Participant in connection with the Customer Cross-Margining Arrangement with the consent of FICC and CME, and (ii) an Eligible BD-FCM that would become such a Cross-Margining Participant shall be permitted to establish a Cross-Margining Customer Account upon acceptance by FICC and CME of an executed Customer Cross-Margining Clearing MSD Member Agreement.

FICC proposes to amend Section 3 of Rule 43 to provide that, if FICC becomes obligated to make a payment to CME pursuant to the cross-guaranty under the Third A&R Agreement in relation to the obligations of a Cross-Margining Participant, its Cross-Margining Affiliate, or its Cross-Margining Customer, the Cross-Margining Participant (and, if FICC becomes obligated to make such a payment in respect of the obligations of a Cross-Margining Customer, the Cross-Margining Customer) shall thereupon immediately be obligated, whether or not FICC has then made payment to CME, to pay to FICC the amount of the reimbursement obligation that is owed to FICC as a result.

FICC proposes to add a new sentence at the end of Section 5 of Rule 43 to provide that, if FICC receives a payment from CME pursuant to the Third A&R Agreement in connection with the Customer Cross-Margining Arrangement, FICC would not be permitted to apply such payment to any obligation other than the obligations of Cross-Margining Customers (whether or not arising in connection with any Eligible Positions).

Conforming and clarifying Changes. FICC proposes to make the following conforming or clarifying changes:

FICC proposes to amend Section 4(b)(i) of Rule 2A to make clear that an applicant to become a Netting Member must have sufficient financial ability to make anticipated required deposits to not only Clearing Fund and Segregated Customer Margin, but also any Cross-Margining Customer Margin.

FICC proposes to remove Section 10(e) of Rule 3A to remove the current prohibition of Sponsored Members from participating in any Cross-Margining Arrangements, and accordingly renumber current Section 10(f) of Rule 3A to Section 10(e).

FICC proposes to remove (i) the language in parentheticals in the first sentence of Section 1 of Rule 13, (ii) the second sentence in Section 2(b) of Rule 22A, and (iii) the portions of Sections 2(a) and 2(b) of Rule 43 that are crossed out in Exhibit 5, because those provisions relate to the “market professional” cross-margining program, which is no longer active and would not be used if the Customer Cross-Margining Arrangement becomes available.

Implementation Timeframe

The proposed Third A&R Agreement would not become effective and replace the Second A&R Agreement until the latest of (i) the date on which all necessary regulatory approvals of the proposed Third A&R Agreement have been received by FICC and CME and (ii) a date agreed by FICC and CME.⁶⁵ FICC would issue an important notice to GSD Members providing the specific operative date at least two weeks prior to such date.

Expected Effect on Management of Risk

FICC believes that the proposed rule changes to extend the availability of the Cross-Margining Arrangement to positions cleared and carried for Cross-Margining Customers by an Eligible BD-FCM would enhance FICC’s and its Netting Members’ risk management.

First, the Customer Cross-Margining Arrangement would produce margin levels commensurate with the risks and particular attributes of the Eligible Positions. This is because FICC would first calculate initial margin requirements for Customer Positions using the same methodology as applies to Segregated Indirect Participant positions and then determine possible margin reductions using the same methodology as is used under the Proprietary Cross-Margining Arrangement, with each Cross-Margining Customer treated effectively as an independent Netting Member. The Commission recently approved each of these methodologies in connection with other FICC rule filings, confirming in particular that they satisfied the requirements of Rule 17ad-22(e)(6) under the Exchange Act.⁶⁶ As with the

⁶⁵ See Section 18(j) of the proposed Third A&R Agreement.

⁶⁶ See Securities Exchange Act Release Nos. 98327 (Sept. 8, 2023), 88 FR 63185 (Sept. 14, 2023)

margin methodology applicable to Segregated Indirect Participants, FICC would calculate margin requirements on a gross (*i.e.*, Cross-Margining Customer-by-Cross-Margining Customer) basis and would not net Eligible Positions across separate Cross-Margining Customers. With respect to such gross calculation methodology in the context of Segregated Indirect Participants, the Commission noted in the approval order covering that rule filing that it would “better isolate the risk profiles of individual indirect participants from Netting Members, which should help FICC better understand and monitor each individual participant’s risk exposures.”⁶⁷

Second, by applying the same margin reduction methodology that is utilized under the Proprietary Cross-Margining Arrangement, FICC would continue to recognize risk offsets that arise from Eligible Positions cleared at CME. This would help ensure that the margin requirements are not overstated or understated and are calibrated based on the particular risk the Cross-Margining Customer’s portfolio presents to FICC and CME. This would provide FICC with robust protection against a default, and incentivize Cross-Margining Customers to maintain portfolios that present lower risk. Such lower risk portfolios would, in turn, reduce the risk of a default in the first place.

Third, the proposed changes would require Eligible BD-FCMs to collect from Cross-Margining Customers the initial margin calculated for the Customer Positions. The collateral posted by the Cross-Margining Customers would serve to reduce the exposure of an Eligible BD-FCM to its Cross-Margining Customers and thus reduce the risk of a default by the Eligible BD-FCM to FICC.

Finally, the proposed rule changes would require an Eligible BD-FCM to enter into a Customer Cross-Margining Clearing Member Agreement with FICC and CME, under which the Eligible BD-FCM would pledge to FICC, on behalf of itself and each Cross-Margining Customer, the positions and margin subject to the Customer Cross-Margining Arrangement at both FICC and CME. This pledge, coupled with the cross-guaranty between FICC and CME set forth in the Third A&R Agreement, would help to ensure that FICC is able to look to the full portfolio of Customer Positions and associated margin at FICC

(SR-FICC-2023-010); and 101695 (Nov. 21, 2024), 89 FR 93763, 93776 (Nov. 27, 2024) (SR-FICC-2024-007).

⁶⁷ See Securities Exchange Act Release No. 101695 (Nov. 21, 2024), 89 FR 93763, 93776 (Nov. 27, 2024) (SR-FICC-2024-007).

and CME in order to satisfy any obligations arising under the Customer Positions.

Consistency With Section 805 of the Clearing Supervision Act

FICC believes the proposed rule changes are consistent with Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act entitled the Payment, Clearing Supervision Act.⁶⁸ Specifically, FICC believes the proposed rule changes are consistent with the risk management objectives and principles of Section 805 of the Clearing Supervision Act.⁶⁹

(i) Consistency With Section 805(b) of the Clearing Supervision Act

Section 805(b) of the Clearing Supervision Act provides that “[t]he objectives and principles for the risk management standards prescribed under subsection (a) shall be to (1) promote robust risk management; (2) promote safety and soundness; (3) reduce systemic risks; and (4) support the stability of the broader financial system.”⁷⁰ The proposed rule changes would do this by providing that FICC would calculate the margin requirement applicable to Customer Positions on a gross Cross-Margin Customer-by-Cross-Margin Customer basis, with margin reductions for Eligible Positions in futures at CME that present offsetting risk. This would ensure that margin requirements are calibrated based on the risk of each Cross-Margin Customer’s portfolio, which in turn would promote robust risk management by Cross-Margin Customers and reduce the risk of a default of a Cross-Margin Customer or its Eligible BD-FCM.

The reduced margin requirements which would result from the proposed rule changes would also incentivize Cross-Margin Customers to post initial margin in respect of their Eligible Positions, rather than rely on their Eligible BD-FCM to do so. Currently, FICC understands that it is common practice for Sponsoring Members and Agent Clearing Members to use their own assets to satisfy the FICC initial margin requirements associated with FICC-cleared positions that Eligible BD-FCMs carry for their customers. This increases the costs to Sponsoring Members and Agent Clearing Members of offering customer clearing services and limits their capacity to do so. As a result of the proposed rule changes, a Cross-Margin Customer’s Eligible Positions at FICC would be eligible for

a possible margin reduction with respect to offsetting futures positions at CME if the Cross-Margining Customer posts the initial margin instead of its Eligible BD-FCM doing so. It would thus incentivize indirect participants to post margin, which would likely result in an associated cost reduction from their Eligible BD-FCMs. Such posting would, in turn, serve to reduce Eligible BD-FCMs’ risk to their Cross-Margining Customers.

The reduced costs to Eligible BD-FCMs would also enhance their ability to provide access to FICC’s clearance and settlement services to a greater number of indirect participants, and thereby increase the diversity and scope of market participants able to utilize FICC’s U.S. Treasury clearing services. These services can reduce systemic risk through FICC’s multilateral netting, support the stability of the financial system through FICC’s trade guaranty and centralized default management, and promote safety and soundness through FICC’s counterparty risk management.⁷¹

The proposed rule changes would also allow Cross-Margining Customers to benefit from the margin offsets that are currently only available to Cross-Margining Participants and their Eligible Affiliates under the Proprietary Cross-Margining Arrangement, thereby facilitating increased access to clearing for indirect participants and promoting the maintenance of more balanced portfolios that present lower risk. The proposed rule changes would consequently serve to enhance liquidity in, and otherwise promote the resilience and robustness of, the U.S. Treasury market.

As a result, FICC believes the proposed rule changes will advance Section 805(b)’s objectives and principles of promoting robust risk management, promoting safety and soundness, reducing systemic risks, and supporting the stability of the broader financial system.

(ii) Consistency with Section 805(a)(2) of the Clearing Supervision Act

Section 805(a)(2) of the Clearing Supervision Act authorizes the Commission to prescribe risk management standards for the payment, clearing, and settlement activities of designated clearing entities, like FICC.⁷² Accordingly, the Commission has adopted risk management standards

under this section and under Section 17A of the Exchange Act.⁷³ These standards require registered clearing agencies to establish, implement, maintain, and enforce written policies and procedures that are reasonably designed to meet certain minimum requirements for their operations and risk management practices on an ongoing basis.⁷⁴ FICC believes that the proposed rule changes are consistent with Rules 17ad-22(e)(4)(i), (e)(6)(i), and (e)(18)(iv)(C), each promulgated under the Exchange Act.⁷⁵

Rule 17ad-22(e)(4)(i) under the Exchange Act requires that a covered clearing agency 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 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.⁷⁶ FICC believes that the proposed rule changes would ensure that FICC continues to effectively measure and manage its credit exposure to participants by maintaining sufficient financial resources to cover its exposure thereto with a high degree of confidence. This is because, under the Customer Cross-Margining Arrangement, FICC would calculate the margin requirement applicable to Customer Positions on a gross Cross-Margin Customer-by-Cross-Margin Customer basis, with margin reductions for offsetting futures positions at CME calculated using a cross-margin methodology that the Commission recently approved.⁷⁷ As described above, the Commission found that similar customer-by-customer gross margining arrangements adopted by FICC for Segregated Indirect Participants would help FICC to better understand and monitor the risk exposures of individual participants.⁷⁸

In addition, the proposed rule changes would require each Eligible BD-FCM for whom FICC maintains one or more Cross-Margining Customer Account(s) to deposit to FICC cash or eligible securities to meet the Cross-Margining Customer Margin

⁷³ See 17 CFR 240.17ad-22(e).

⁷⁴ Id.

⁷⁵ 17 CFR 240.17ad-22(e)(4)(i), (e)(6)(i), and (e)(18)(iv)(C).

⁷⁶ 17 CFR 240.17ad-22(e)(4)(i).

⁷⁷ See Securities Exchange Act Release No. 98327 (Sept. 8, 2023), 88 FR 63185 (Sept. 14, 2023) (SR-FICC-2023-010).

⁷⁸ See Securities Exchange Act Release No. 101695 (Nov. 21, 2024), 89 FR 93763, 93776 (Nov. 27, 2024) (SR-FICC-2024-007).

⁶⁸ 12 U.S.C. 5461 *et seq.*

⁶⁹ 12 U.S.C. 5464.

⁷⁰ 12 U.S.C. 5464(b).

⁷¹ See Securities Exchange Act Release Nos. 99817 (Mar. 21, 2024), 89 FR 21362, 21375-76 (Mar. 27, 2024) (SR-FICC-2024-005); and 99844 (Mar. 22, 2024), 89 FR 21603, 21615 (Mar. 28, 2024) (SR-FICC-2024-007).

⁷² 12 U.S.C. 5464(a)(2).

Requirement that is calibrated to the risks of each Cross-Margining Customer's portfolio. Such Eligible BD-FCM would also be required to enter into a Customer Cross-Margining Clearing Member Agreement with FICC and CME, pursuant to which the Eligible BD-FCM would pledge to FICC, on behalf of itself and each Cross-Margining Customer, the positions and margin subject to the Customer Cross-Margining Arrangement at both FICC and CME. This pledge, along with the cross-guaranty between FICC and CME set forth in the Third A&R Agreement, would allow FICC and CME to look to the full portfolio of Customer Positions and associated margin at FICC and CME in order to satisfy any obligations arising under Customer Positions. Accordingly, the proposed rule changes would ensure that FICC will have sufficient resources to rely on to cover cross-margining exposures under the Customer Cross-Margining Arrangement, and would ensure compliance with Rule 17ad-22(e)(4)(i).

Rule 17ad-22(e)(6)(i) under the Exchange Act requires that a covered 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, and, if the covered clearing agency provides central counterparty services for U.S. Treasury securities, calculates, collects, and holds margin amounts from a direct participant for its proprietary positions in Treasury securities separately and independently from margin calculated and collected from that direct participant in connection with U.S. Treasury securities transactions by an indirect participant that relies on the services provided by the direct participant to access the covered clearing agency's payment, clearing, or settlement facilities.⁷⁹

FICC believes that the proposed rule changes would satisfy these requirements. The Customer Cross-Margining Arrangement would produce margin levels commensurate with the risks and particular attributes of the Eligible Positions, as FICC would calculate initial margin requirements for each Cross-Margining Customer using the same methodology that FICC applies to Segregated Indirect Participants, with potential margin offsets for Customer Positions calculated using the same

methodology as is used under the Proprietary Cross-Margining Arrangement. The Commission recently confirmed that such methodologies satisfied the requirements of Rule 17ad-22(e)(6) in connection with other FICC rule filings.⁸⁰

In addition, the proposed rule changes would provide that margin applicable to Customer Positions would be calculated separately and independently of the margin for any positions recorded in any Proprietary Account of a Cross-Margining Participant. The proposed rule changes would also provide for Cross-Margining Customer Margin to be collected and held in substantially a similar manner to Segregated Customer Margin. The Commission recently approved FICC's arrangements for Segregated Customer Margin, finding in particular that they "should ensure that a Netting Member's proprietary transactions are not netted with indirect participant transactions for margin calculations and that margin for indirect participant transactions is collected and held separately and independently from margin for a Netting Member's proprietary transactions."⁸¹ Accordingly, the proposed rule changes would ensure compliance with Rule 17ad-22(e)(6)(i).

Rule 17ad-22(e)(18)(iv)(C) under the Exchange Act requires, among other things, that a covered clearing agency that provides central counterparty services for transactions in U.S. Treasury securities ensure that it has appropriate means to facilitate access to clearance and settlement services of all eligible secondary market transactions in U.S. Treasury securities, including those of indirect participants.⁸² The proposed rule changes would expand the Cross-Margining Arrangement, which currently is available for proprietary positions of Cross-Margining Participants and those of their Eligible Affiliates, to Customer Positions. This expansion would serve to facilitate greater access to clearing for indirect participants of FICC by more effectively aligning the margin requirements applicable to such participants' positions with the overall risk those positions present.

Furthermore, by creating an incentive for Cross-Margining Customers to post margin for their positions, the proposed rule changes would serve to reduce the need for Eligible BD-FCMs to use their own liquidity resources to cover such

margin obligations. As a result, it would reduce the costs and increase the capacity of Eligible BD-FCMs to provide clearing services, which would in turn allow Eligible BD-FCMs to increase the volume of transactions they submit to FICC for clearing. Moreover, by creating significant cost savings and efficiencies for Cross-Margining Customers that maintain offsetting futures positions at CME, the proposed rule changes would create an incentive for Eligible BD-FCMs to offer done-away clearing services. For Eligible BD-FCMs, clearing U.S. Treasury securities positions entered into by a customer with other trading counterparties would provide a potential opportunity to reduce overall financial risk without the cost of funding the customer's margin obligations at FICC. Therefore, the proposed rule changes would facilitate enhanced access to clearance and settlement services of all eligible secondary market transactions in U.S. Treasury securities, including those of indirect participants.⁸³

III. Date of Effectiveness of the Advance Notice

The proposed change may be implemented if the Commission does not object to the proposed change within 60 days of the later of (i) the date that the proposed change was filed with the Commission or (ii) the date that any additional information requested by the Commission is received. 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 further information requested by the Commission is received, 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 clearing agency shall post notice on its website of proposed changes that are implemented.

The proposal shall not take effect until all regulatory actions required with respect to the proposal are completed.

⁷⁹ 17 CFR 240.17ad-22(e)(6)(i).

⁸⁰ See Securities Exchange Act Release No. 101695 (Nov. 21, 2024), 89 FR 93763, 93776 (Nov. 27, 2024) (SR-FICC-2024-007).

⁸¹ 17 CFR 240.17ad-22(e)(18)(iv)(C).

⁸² *Id.*

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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-FICC-2025-801 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-2025-801. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of FICC and on DTCC's website (www.dtcc.com/legal/sec-rule-filings). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-FICC-2025-801 and should be submitted on or before January 20, 2026.

V. Date of Timing for Commission Action

Section 806(e)(1)(G) of the Clearing Supervision Act provides that FICC may implement the changes if it has not received an objection to the proposed changes within 60 days of the later of (i) the date that the Commission receives the Advance Notice or (ii) the date that any additional information requested by the Commission is received,⁸⁴ unless extended as described below.

Pursuant to Section 806(e)(1)(H) of the Clearing Supervision Act, the Commission may extend the review period of an advance notice for an additional 60 days, if the changes

proposed in the advance notice raise novel or complex issues, subject to the Commission providing the clearing agency with prompt written notice of the extension.⁸⁵

Here, as the Commission has not requested any additional information, the date that is 60 days after FICC filed the Advance Notice with the Commission is February 10, 2026. However, the Commission finds that the changes proposed in the Advance Notice raise novel and complex issues. The Commission finds the issues novel because FICC proposes to extend the availability of its Cross-Margin Arrangement with CME to customers of an Eligible BD-FCM to allow Cross-Margining Customers to benefit from the margin reductions that are currently only available to Cross-Margining Participants and their Eligible Affiliates. The Commission also finds the issues raised by the Advance Notice complex because the proposed changes to the Cross-Margining Agreement between FICC and CME and the GSD Rules entail new provisions including criteria and requirements for participation in the Customer Cross-Margining Arrangement, as well as consistency with the Petitions. Therefore, the Commission finds it appropriate to extend the review period of the Advance Notice for an additional 60 days under Section 806(e)(1)(H) of the Clearing Supervision Act.⁸⁶

Accordingly, the Commission, pursuant to Section 806(e)(1)(H) of the Clearing Supervision Act,⁸⁷ extends the review period for an additional 60 days so that the Commission shall have until April 11, 2026, to issue an objection or non-objection to Advance Notice SR-FICC-2025-801.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁸⁸

Sherry R. Haywood,

Assistant Secretary.

[FR Doc. 2025-23886 Filed 12-23-25; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104473; File No. SR-Phlx-2025-76]

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Options 7, Section 9, B, Port Fees

December 19, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹, and Rule 19b-4 thereunder,² notice is hereby given that on December 18, 2025, Nasdaq PHLX LLC ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend Phlx's Pricing Schedule at Options 7, Section 9, B, Port Fees.³

While the changes proposed herein are effective upon filing, the Exchange has designated the amendments become operative on January 1, 2026.

The text of the proposed rule change is available on the Exchange's website at <https://listingcenter.nasdaq.com/rulebook/phlx/rulefilings>, and at the principal office of the Exchange.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange 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 Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ On December 11, 2025 the Exchange filed SR-Phlx-2025-71. On December 18, 2025, the Exchange withdrew SR-Phlx-2025-71 and filed this proposal.

⁸⁴ 12 U.S.C. 5465(e)(1)(G).

⁸⁵ 12 U.S.C. 5465(e)(1)(H).

⁸⁶ *Id.*

⁸⁷ *Id.*

⁸⁸ 17 CFR 200.30-3(a)(91).