

# SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105249; File No. SR-FICC-2025-025]

## **Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Partial Amendment No. 2 and Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Partial Amendment Nos. 1 and 2, to Amend and Restate the Second Amended and Restated Cross-Margining Agreement between FICC and CME and Amend Related GSD Rules**

April 15, 2026.

### **I. INTRODUCTION**

On December 12, 2025, Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change SR-FICC-2025-025, pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> seeking to enter into a proposed Third Amended and Restated Cross-Margining Agreement (the “Third A&R Agreement”) with the Chicago Mercantile Exchange Inc. (“CME”, and collectively with FICC, the “Clearing Organizations”) and incorporate the Third A&R Agreement into the FICC Government Securities Division (“GSD”) Rulebook (“Rules”), along with related changes to the GSD Rules. The Third A&R Agreement would extend the availability of cross-margining to positions cleared and carried for customers by a dually registered broker-dealer and futures commission merchant that is a common member of FICC and CME (“Eligible BD-FCM”). On December 19, 2025, FICC filed Partial Amendment

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

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

No. 1 to the proposed rule change to make certain changes to the narrative description of the filing and exhibits provided by FICC.<sup>3</sup>

The proposed rule change was published for public comment in the *Federal Register* on December 29, 2025.<sup>4</sup> On January 26, 2026, pursuant to Section 19(b)(2) of the Exchange Act,<sup>5</sup> the Commission designated a longer period within which to approve, disapprove, or institute proceedings to determine whether to approve or disapprove the proposed rule change.<sup>6</sup>

On March 4, 2026, FICC filed Partial Amendment No. 2 to the proposed rule change.<sup>7</sup> The proposed rule change, as modified by Amendment Nos. 1 and 2, is herein referred to as the “Proposed Rule Change.” On March 18, 2026, the Commission instituted proceedings, pursuant

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<sup>3</sup> Partial Amendment No. 1 makes clarifications and corrections to the narrative description of the proposed rule change 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 a typographical error and mismarked rule text as compared to the currently effective GSD Rules. *See* Notice of Filing, *infra* note 4, 90 FR at 60791.

<sup>4</sup> Securities Exchange Act Release No. 104485 (Dec. 22, 2025), 90 FR 60791 (Dec. 29, 2025) (File No. SR-FICC-2025-025) (“Notice of Filing”). On December 12, 2025, FICC also filed the proposed rule change as an advance notice with the Commission pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, entitled Payment, Clearing and Settlement Supervision Act of 2010 (“Clearing Supervision Act”), and Rule 19b-4(n)(1)(i) under the Exchange Act, which was published in the *Federal Register* on December 29, 2025. Securities Exchange Act Release No. 104486 (Dec. 22, 2025), 90 FR 60766 (Dec. 29, 2025) (File No. SR-FICC-2025-801) (“Advance Notice”). On April 10, 2026, the Commission published a notice of no objection to the Advance Notice. Securities Exchange Act Release No. 105197 (Apr.10, 2026).

<sup>5</sup> 15 U.S.C. 78s(b)(2).

<sup>6</sup> Securities Exchange Act Release No. 104690 (Jan. 26, 2026), 91 FR 3944 (Jan. 29, 2026) (File No. SR-FICC-2025-025).

<sup>7</sup> Partial Amendment No. 2 modifies the proposed changes to the GSD Rules to include an amendment to GSD Rule 26 (Transfers of Indirect Participant Activity), for consistency with certain conditions of the proposed exemptive order published by the Commodity Futures Trading Commission (the “CFTC”), to add that FICC would not interfere with the acceptance by an Eligible BD-FCM of transfers of transactions recorded in a Cross-Margining Customer Account and associated Cross-Margining Customer Margin when (i) the Eligible BD-FCM is required to effectuate such transfer pursuant to CFTC Regulation 1.17(a)(4), or (ii) the Eligible BD-FCM is a “debtor” as defined in CFTC Regulation 190.01 and the transfer has been approved by the CFTC. Additionally, Partial Amendment No. 2 modifies the proposed changes to the GSD Rules to include conforming changes to the description of “Sponsored GC CIL Omnibus Account Required Fund Deposit” in the Margin Component Schedule to add references to Cross-Margining Customer and Cross-Margining Customer Account and align the treatment of Segregated Indirect Participants and Segregated Indirect Participants Accounts, on the one hand, and Cross-Margining Customers and Cross-Margining Customer Accounts, on the other.

to Section 19(b)(2)(B) of the Exchange Act,<sup>8</sup> to determine whether to approve or disapprove the Proposed Rule Change.<sup>9</sup>

The Commission has received comments regarding the substance of the changes proposed in the Proposed Rule Change.<sup>10</sup>

The Commission is publishing this notice to solicit comments on Partial Amendment No. 2 from interested persons, and, for the reasons discussed below, the Commission is approving the Proposed Rule Change on an accelerated basis.

## II. BACKGROUND

FICC's GSD provides trade comparison, netting, risk management, settlement, and central counterparty ("CCP") services for the U.S. Government securities market.<sup>11</sup> As a CCP, FICC novates the transactions submitted to it by its members, which means it interposes itself as the buyer to every seller and seller to every buyer for the financial transactions it clears. As such, FICC is exposed to the risk that one or more of its members may fail to make a payment or to deliver securities.

A key tool that FICC uses to manage its credit exposures to its members is the daily collection of margin from each member. A member's margin is designed to mitigate potential losses associated with liquidation of the member's portfolio in the event of that member's

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<sup>8</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>9</sup> Securities Exchange Act Release No. 105041 (Mar. 18, 2026), 91 FR 13912 (Mar. 23, 2026) (File No. SR-FICC-2025-025). FICC advised the Commission that it waived the rebuttal period with respect to the order instituting proceedings.

<sup>10</sup> Comments on the Proposed Rule Change are *available at* <https://www.sec.gov/rules-regulations/public-comments/sr-ficc-2025-025>. Comments on the Advance Notice are *available at* <https://www.sec.gov/rules-regulations/public-comments/sr-ficc-2025-801>. Because the proposals contained in the Proposed Rule Change and the Advance Notice are the same, the Commission considers all comments received on the proposal, regardless of whether the comments are submitted with respect to the Advance Notice or the Proposed Rule Change.

<sup>11</sup> FICC's Mortgage-Backed Securities Division provides similar services for mortgage-backed securities. For purposes of this notice, "FICC" refers to GSD.

default. The aggregated amount of all GSD members' margin constitutes the Clearing Fund, which FICC would be able to access should a defaulted member's own margin be insufficient to satisfy losses to FICC caused by the liquidation of that member's portfolio. Each member's margin consists of a number of applicable components, including a value-at-risk charge designed to capture the potential market price risk associated with the securities in a member's portfolio.

Margin requirements are typically designed, in part, to recognize the potential relationship between products in a member's portfolio (*e.g.*, some products may naturally gain value when others lose value). Members may, however, hold assets or enter into transactions that reduce risk, but are not visible to the CCP. For example, a market participant might purchase a debt security, and at the same time, contract to sell the same security in the future. The risk to the market participant is a combination of these two offsetting transactions as opposed to the risk of each added together because it is unlikely that both positions would lose value at the same time under normal market conditions.

*A. Existing Cross-Margining Agreement Between FICC and CME*

To recognize potential offsets in the risk presented by related products, FICC has a cross-margining arrangement with CME, which acts as a CCP for futures related to the debt instruments that FICC clears.<sup>12</sup> In 2023, FICC and CME entered into the Amended and Restated Cross-Margining Agreement that allowed FICC and CME to consider the net risk of a participant's eligible positions at each Clearing Organization when setting margin requirements for such positions.<sup>13</sup> In 2025, FICC and CME entered into the Second Amended and Restated

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<sup>12</sup> CME provides central counterparty services for futures, options on futures, and swaps. *See* Financial Stability Oversight Council 2024 Annual Report, *available at* <https://home.treasury.gov/system/files/261/FSOC2024AnnualReport.pdf> (last visited Mar. 17, 2026).

<sup>13</sup> *See* Securities Exchange Act Release No. 98327 (Sept. 8, 2023), 88 FR 63185 (Sept. 14, 2023) (File No. SR-FICC-2023-010) ("Order Approving Amended and Restated Cross-Margining Agreement").

Cross-Margining Agreement (the “Second A&R Agreement” or the “Existing Agreement”), which made certain technical changes to account for requirements under amended Rule 17ad-22 to hold margin for transactions in U.S. Treasury securities that a Netting Member submits to FICC on behalf of an indirect participant separately and independently from margin for the Netting Member’s proprietary positions.<sup>14</sup>

Pursuant to the terms of the Existing Agreement (*i.e.*, the “Proprietary Cross-Margining Arrangement”), a joint clearing member of both Clearing Organizations (a “Joint Clearing Member”) may designate any of its accounts at FICC (except its Sponsoring Member Omnibus Account) to be cross-margined with a cross-margining account on the books of CME (each such account, a “Cross-Margining Account”).<sup>15</sup> In addition, a Joint Clearing Member may include in a Cross-Margining Account both its proprietary positions and those of an affiliate, as long as the affiliate is not a customer under certain Commission rules and its account on the records of the Joint Clearing Member is a “proprietary account” within the meaning of 17 CFR 1.3 (an “Eligible Affiliate”).<sup>16</sup> The Existing Agreement identifies, among other things, the methodology to determine offsets between cleared products and how the Clearing Organizations would handle a defaulting Joint Clearing Member.<sup>17</sup> FICC states that any resulting margin reductions create capital efficiencies for the Cross-Margining Participants and their Eligible Affiliates and

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<sup>14</sup> See Securities Exchange Act Release No. 103399 (July 8, 2025), 90 FR 31043 (July 11, 2025) (File No. SR-FICC-2025-014) (“Order Approving Existing Agreement”). The Existing Agreement, *available at* [https://www.dtcc.com/~media/Files/Downloads/legal/rules/ficc\\_cme\\_crossmargin\\_agreement.pdf](https://www.dtcc.com/~media/Files/Downloads/legal/rules/ficc_cme_crossmargin_agreement.pdf), is incorporated by reference in the GSD Rules, *available at* [www.dtcc.com/legal/rules-and-procedures.aspx](http://www.dtcc.com/legal/rules-and-procedures.aspx). Unless otherwise specified, capitalized terms not defined herein shall have the meanings ascribed to them in the GSD Rules, which includes the Existing Agreement.

<sup>15</sup> See Recital C of the Existing Agreement, *supra* note 14.

<sup>16</sup> See Section 1 (defining “Cross-Margining Account” and “Proprietary Account”) of the Existing Agreement, *supra* note 14.

<sup>17</sup> See Sections 4 and 7 of the Existing Agreement, *supra* note 14.

incentivize them to maintain or carry portfolios that present lower overall risk.<sup>18</sup>

Under the Existing Agreement, both FICC and CME provide a guaranty to each other to make prompt payment when due (whether at maturity, by declaration, by demand or otherwise), and at any and all times thereafter, of all indebtedness and other obligations of every kind and nature of each Cross-Margining Participant or its affiliate, arising from or related to the Eligible Positions or the liquidation, transfer, or management of the Eligible Positions, including but limited to, the amounts determined under any suspension or liquidation under Section 7 of the Existing Agreement (as discussed further below in II.4).

### **III. DESCRIPTION OF THE PROPOSED RULE CHANGE**

#### *A. Proposed Third Amended and Restated Cross-Margining Agreement*

FICC is proposing to replace the Second A&R Agreement with the proposed Third A&R Agreement, to extend the availability of cross-margining to positions cleared and carried for customers other than an Eligible Affiliate (“Cross-Margining Customers”) by certain Joint Clearing Members, as discussed further below. FICC states 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.<sup>19</sup>

In addition to this Proposed Rule Change and Advance Notice, FICC and CME have also submitted to the Commission and the CFTC petitions for exemptive relief from certain provisions of the Commodity Exchange Act and Exchange Act that would enable FICC and

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<sup>18</sup> See Notice of Filing, *supra* note 4, 90 FR at 60792.

<sup>19</sup> *Id.* at 60793.

CME to make cross-margining available to Cross-Margining Customers.<sup>20</sup> The Commission and CFTC published these applications with requests for comment.<sup>21</sup>

The amendments to the Existing Agreement would address certain areas, as described further below.<sup>22</sup>

### 1. Eligibility Criteria and Participation Requirements

The Third A&R Agreement would identify the eligibility criteria and participation requirements for a Joint Clearing Member and its Cross-Margining Customer to participate in customer cross-margining. FICC states that these criteria and participation requirements are designed to ensure that each participating Cross-Margining Customer and its Joint Clearing Member satisfy certain conditions in the Proposed Orders.<sup>23</sup>

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<sup>20</sup> See Securities Exchange Act Release No. 104748 (Jan. 30, 2026), 91 FR 4994 (Feb. 3, 2026) (File No. S7-2026-03) (the “SEC Notice of Application for Exemptive Relief”); CFTC, *Proposal to Provide Exemptive Relief to Facilitate Cross-Margining of Customer Positions Cleared at Chicago Mercantile Exchange, Inc. and Fixed Income Clearing Corporation*, 90 FR 58525 (Dec. 17, 2025) (the “CFTC Notice”, and together with the SEC Notice of Application for Exemptive Relief, the “Notices regarding Proposed Exemptive Relief,” and the proposed Commission and CFTC orders as described in the Petitions, the “Proposed Orders”). As stated in the SEC Petition, the Clearing Organizations request that the Commission provide exemptive relief to Eligible BD-FCMs from Section 15(c)(3) of the Exchange Act and Rule 15c3-3 thereunder to permit Eligible BD-FCMs to hold U.S. Treasury securities transactions that have been novated to FICC and associated margin in a “futures account,” as defined in CFTC Regulation 1.3, that also contains futures positions and associated margin and subject to the CEA and related CFTC Regulations, rather than in a securities account subject to the Exchange Act and the rules thereunder. As stated in the CFTC Petition, the Clearing Organizations seek exemptive relief from Section 4d of CEA, which requires futures customer funds to be segregated and prohibits the commingling of futures customer funds and futures customer positions with any other positions and funds. The exemptive relief would allow Eligible BD-FCMs to hold securities positions and associated funds together with the futures customer positions and funds held by the Eligible BD-FCM in their futures customer accounts, and allow Eligible BD-FCMs to deposit at FICC, and permit FICC to hold, customer funds and margin associated with futures positions. The exemptive relief sought by the Petitions would allow for the implementation of the customer cross-margining as proposed in this Proposed Rule Change.

<sup>21</sup> See *supra* note 20.

<sup>22</sup> For a more detailed description of the changes, see Notice of Filing, *supra* note 4, 90 FR at 60793-99, and the revised Third A&R Agreement, filed as Exhibit 5b, *available at* <https://www.sec.gov/files/rules/sro/ficc/2025/34-104486-ex5b.pdf>.

<sup>23</sup> See Notice of Filing, *supra* note 4, 90 FR at 60793.

The Third A&R Agreement would require that a Joint Clearing Member be an Eligible BD-FCM. It would also require that each Cross-Margining Customer be a “futures customer” within the meaning of CFTC Regulation 1.3<sup>24</sup> and a “Sponsored Member” or “Eligible Firm Customer” as defined under the GSD Rules. In addition, it would require that the Eligible BD-FCM hold the Cross-Margining Customer’s Customer Positions (as defined below) at FICC and hold the associated money, securities and property, together with such customer’s Customer Positions at CME and the associated “futures customer funds” in a “futures account,” such terms as defined in CFTC Regulation 1.3, in accordance with any conditions set forth in the Orders and applicable law.

As discussed further below, a Joint Clearing Member would be required to enter into a participant agreement with the Clearing Organizations, with such agreement included as an Appendix to the Third A&R Agreement.<sup>25</sup> In addition, a Joint Clearing Member would be required to 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”).<sup>26</sup> The customer agreement would also be set forth in the Third A&R Agreement as an Appendix.

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. The Third A&R

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<sup>24</sup> 17 CFR 1.3.

<sup>25</sup> *See infra* section III.A.5.

<sup>26</sup> *See infra* section III.A.6.

Agreement would also redefine “Non-Customer” and provide that Eligible Affiliates would continue to be able to access cross-margining under the Proprietary Cross-Margining Arrangement so long as they constitute “Non-Customers.”

A Cross-Margining Customer’s participation in the Customer Cross-Margining Arrangement would be intermediated through the Eligible BD-FCM, and 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-Margining Customer, and that a Cross-Margining 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-Margining Customer for, any obligations of a Clearing Organization in connection with the Cross-Margining Customer’s participation in the Customer Cross-Margining Arrangement pursuant to the Third A&R Agreement. FICC states that 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.<sup>27</sup>

## 2. 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”), separate from 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” in “Proprietary Cross-Margining Accounts”<sup>28</sup>).

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<sup>27</sup> See Notice of Filing, *supra* note 4, 90 FR at 60794 (citing GSD Rules, Rule 2, Section 4; Rule 8, Section 6(c)-(e); CME Rulebook, Rule 803).

<sup>28</sup> A Proprietary Cross-Margining 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,

A Customer Cross-Margining Account would be defined as, for FICC, an Indirect Participants Account (as defined in the GSD Rules) at FICC maintained for Cross-Margining 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-Margining Customer Account” under the GSD Rules) and, for CME, as 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-Margining Customers. An Eligible BD-FCM would be required to designate each Cross-Margining Account it opens at the Clearing Organizations as either a Customer Cross-Margining Account or a Proprietary Cross-Margining Account.

### 3. Margin Methodology

The Third A&R Agreement would describe the methodology for calculating potential reductions to the margin requirements for Customer Positions. FICC states that it would 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-margining customer.<sup>29</sup> FICC states that it would collect and hold Cross-Margining 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 [Orders] and the general requirements and conventions applicable to futures.<sup>30</sup> Specifically, FICC and CME would calculate the margin savings that would result

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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 the “proprietary accounts” (as defined in CFTC Regulation 1.3) of the Eligible BD-FCM.

<sup>29</sup> See Notice of Filing, *supra* note 4, 90 FR at 60795.

<sup>30</sup> *Id.* See also GSD Rule 4, Section 1a (describing the treatment of Segregated Customer Margin), *supra* note 14.

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-Margining Customer-by-Cross-Margining Customer basis. FICC states that this customer-by-customer approach is consistent both with how futures contracts are required to be margined under the CFTC rules and how FICC margins Segregated Indirect Participant Positions.<sup>31</sup>

#### 4. Default Management

The Third A&R Agreement would address how the Clearing Organizations would manage a default of a Joint-Clearing Member carrying Customer Positions for Cross-Margining Customers. FICC states the Third A&R Agreement would follow substantially the same approach to handling Customer Positions carried by a Defaulting Member as applies to Proprietary Positions.<sup>32</sup> Specifically, 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. In addition, 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 Positions in such Liquidation Portfolio at the other Clearing

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<sup>31</sup> See Notice of Filing, *supra* note 4, 90 FR at 60795 (citing 17 CFR 39.13(g)(8)(i); GSD Rules, Rule 4, Section 1b(b)).

<sup>32</sup> *Id.* at 60796.

Organization in accordance with the existing terms of the Third A&R agreement related to buy-outs. Lastly, 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.<sup>33</sup>

Under the Third A&R Agreement, 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). FICC states that, 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.<sup>34</sup> The Third A&R Agreement would also clarify that the Clearing Organizations may “port” Customer Positions to another clearing member in a default scenario.

#### 5. Customer Cross-Margining Clearing Member Agreement

The Third A&R Agreement would require Eligible BD-FCMs to enter into the Customer Cross-Margining Clearing Member Agreement in order to participate in the Cross-Margining Arrangement, as set forth in Appendix C to the Third A&R Agreement, which would clarify the

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<sup>33</sup> FICC states that the Clearing Organizations do not foresee particular circumstances that could lead to separate liquidations being applicable, and that, to the contrary, the Clearing Organizations believe it is highly unlikely that they would engage in separate liquidations. FICC further states that 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. *Id.* at 60796.

<sup>34</sup> *Id.*

rights and obligations of the Clearing Organizations, the Eligible BD-FCM, and the Cross-Margining Customers.<sup>35</sup>

FICC states that the Customer Cross-Margining Clearing Member Agreement is modeled on the Proprietary Clearing Member Agreement in Appendix A of the Existing Agreement, with the three first paragraphs being substantially identical.<sup>36</sup> Additionally, several other provisions align with the Proprietary Clearing Member Agreement, including those regarding the disclosure of Clearing Data, calculation of margin reduction, transfer of rights in Net Gains, governing law, choice-of-jurisdiction, execution, and representations (except those concerning the proprietary nature of the positions and Eligible Affiliates).

The Customer Cross-Margining Clearing Member Agreement would further provide that:<sup>37</sup>

- The Eligible BD-FCM makes application to establish in its name Customer Cross-Margining Accounts at CME and FICC, in addition to any Proprietary Cross-Margining Account, for transactions and positions carried by the Eligible BD-FCM for Cross-Margining Customers who have signed a Customer Agreement (as defined below) and not commence clearing transactions until such has been executed.
- The Eligible BD-FCM indemnifies and holds harmless the Clearing Organizations from any claim resulting from the carrying of positions in a Customer Cross-Margining Account that belong to any person other than a Cross-Margining Customer.

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<sup>35</sup> *Id.* at 60797; *see also* Appendix C “Customer Cross-Margining Program” of the revised Third A&R Agreement, *supra* note 22.

<sup>36</sup> *See* Notice of Filing, *supra* note 4, 90 FR at 60797.

<sup>37</sup> *Id.* at 60797-8.

- The Eligible BD-FCM unconditionally promises immediate payment of any obligations to a Clearing Organization in respect of a Cross-Margining Customer's positions, agrees that each Cross-Margining Customer is bound by the GSD Rules and CME's rules and by the provisions of the Customer Cross-Margining Clearing Member Agreement and the Third A&R Agreement, and represents and warrants that it has full power and authority to bind each of its Cross-Margining Customers to these terms.
- The Eligible BD-FCM pledges and grants to each Clearing Organization a first priority continuing security interest in all of the positions or other property held by either Clearing Organization, as security for its and its Cross-Margining Customers' obligations to the Clearing Organizations arising from its Customer Cross-Margining Accounts, with certain additional assurances aligning with those in the Proprietary Clearing Member Agreement (along with the addition of a clause for facilitating the perfection of CME's security interest in the Cross-Margining Customer Margin and ensuring it is treated as "customer property" under Part 190 of the CFTC's regulations).
- The Eligible BD-FCM may terminate the Customer Cross-Margining Clearing Member Agreement upon two business day's written notice to FICC and CME, with such termination being effective upon written acknowledgement by both FICC and CME and provided that all positions have been closed-out or transferred and all Stand-alone Margin Requirement in respect of any such transferred positions<sup>38</sup> and all

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<sup>38</sup> Stand-Alone Margin Requirement is defined as the Margin requirement that each Clearing Organization would calculate with respect to a particular cross-margining account without regard to the cross-margining arrangement (and, for FICC, without regard to any netting across positions of multiple Executing Firm Customers in the same Agent Clearing Member Omnibus Account).

obligations of the Eligible BD-FCM to the Clearing Organizations in respect of the Customer Cross-Margining Accounts have been fully satisfied.

- Either Clearing Organization may terminate the Eligible BD-FCM’s participation at any time upon written notice to the other Clearing Organization and Eligible BD-FCM, and in connection to termination, may require the Eligible BD-FCM to close-out or transfer all positions in the affected Customer Cross-Margining Accounts, with termination being effective provided that all obligations of the Eligible BD-FCM in respect of the affected Customer Cross-Margining Accounts have been fully satisfied.
- The Customer Cross-Margining Clearing Member Agreement would become effective upon the later of execution of the agreement, or all necessary regulatory approvals from the Commission and the CFTC.

#### 6. Customer Agreement

The Third A&R Agreement would require that, in order to participate in the Cross-Margining Arrangement, Cross-Margining Customers enter into an agreement with the Eligible BD-FCM (“Customer Agreement”) that includes certain terms as set forth in Appendix C to the Third A&R Agreement.<sup>39</sup> FICC states that the Customer Agreement would include the terms of the Subordination Agreement, under which the Cross-Margining Customer agrees to certain treatment of its customer positions and property in a liquidation of the Clearing Member.<sup>40</sup>

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<sup>39</sup> See Notice of Filing, *supra* note 4, 90 FR at 60798-99; see also Appendix C Exhibit I “Customer Required Terms Annex or Agreement” of the revised Third A&R Agreement, *supra* note 22.

<sup>40</sup> Specifically, the Customer would have to agree agrees to the terms of the Subordination Agreement, under which the Cross-Margining 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-Margining 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

The Customer Agreement would also require Cross-Margining Customers to acknowledge and agree that:

- All money, securities, and property that the Cross-Margining Customer deposits with the Eligible BD-FCM to margin, guarantee, or secure Customer Positions will be held in a “futures account” as defined in CFTC Regulation 1.3 and subject to CEA Section 4d(a) and (b).
- 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 carry positions on behalf of the Cross-Margining Customer or other futures customers of the Eligible BD-FCM.
- Property held in connection with Customer Positions will be treated in a manner consistent with the CFTC Order and Section 4d of the CEA.
- In the event that a Clearing Organization suspends or ceases to act for a Clearing Member, it would be the Clearing Organizations’ sole discretion to determine whether to transfer, liquidate, or settle Customer Positions in the relevant Customer Cross-Margining Account.
- 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.
- 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-

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margin held at FICC) will be subordinated to the claims of all other customers, as the term “customer” is defined in 11 U.S.C. § 741 or SIPA. *See* Notice of Filing, *supra* note 4, 90 FR at 60799.

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.

The Customer Agreement would also require the Cross-Margining Customer to pledge and grant as security for its obligations in respect of its Customer Positions, a continuing security interest to the Eligible BD-FCM against all positions in each Customer Cross-Margining Account and associated margin and proceeds. 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.

#### 7. Conforming Changes and Clarifying Edits

The Third A&R Agreement would make changes, including new recitals to describe the purpose of the Third A&R Agreement and redefine the prior versions of the agreement, and non-substantive revisions and movements of defined terms, to conform to the addition of the Customer Cross-Margining Arrangement and related provisions. The Third A&R Agreement would revise Section 3(b) to provide that it does not apply to Proprietary Positions of a Joint Clearing Member or to Customer Positions, and 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-Margining Customer.

The Third A&R Agreement would also include clarifying edits not specifically related to the Customer Cross-Margining Arrangement, including the provision stating FICC's and CME's

right to terminate participation of a Cross-Margining Participant, a new provision regarding acceptable collateral to satisfy the Cross-Margin Requirement, and the titles of Appendices to specify that they are for use in connection with the Proprietary Cross-Margining Arrangement.

*B. Proposed Changes to the GSD Rules*

Along with the Third A&R Agreement, FICC is also proposing related changes to the GSD Rules to effectuate and conform with the Customer Cross-Margining Arrangement, as well as the adoption of new defined terms to effectuate these changes. The proposed rule changes include: (i) a new type of account for customer cross-margining and (ii) margin methodology and treatment for customer cross-margining.

1. Cross-Margining Customer Account

FICC would 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. 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.

## 2. Margin Methodology and Treatment for Customer Cross-Margining

FICC would also adopt rule changes to set forth how it would calculate, collect, and hold Cross-Margining Customer Margin. Such changes would include:

- FICC would credit all Cross-Margining 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”). FICC states that these provisions are designed to ensure that the Cross-Margining Customer Margin would not form part of FICC’s estate in the event FICC became subject to insolvency proceedings and allow CME to perfect its security interest in the Cross-Margining Customer Margin to protect CME in the event of a Cross-Margining Participant default.<sup>41</sup>
- FICC would hold Cross-Margining Customer Margin in (i) an account of FICC at a FDIC insured bank 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 FICC account and used exclusively to hold Segregated Customer Margin and Cross-Margining Customer Margin. In accordance with the [Orders], any such account (other than one at the FRBNY) would need to be subject to a written notice consistent with the Orders.

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<sup>41</sup> See Notice of Filing, *supra* note 4, 90 FR at 60799.

- 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.
- 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).

FICC is also proposing 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. FICC proposes to remove the existing Section

10(e) of Rule 3A, which currently prohibits Sponsored Members from participating in the Cross-Margining Arrangement.

### 3. Additional Changes

The Third A&R Agreement would make 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.

## IV. DISCUSSION AND COMMISSION FINDINGS

Section 19(b)(2)(C) of the Act<sup>42</sup> directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and rules and regulations thereunder applicable to such organization. After careful review of the Proposed Rule Change, the Commission finds that the Proposed Rule Change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to FICC. In particular, the Commission finds that the Proposed Rule Change is consistent with Section 17A(b)(3)(F) of the Act<sup>43</sup> and Rule 17ad-22(e)(4),

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<sup>42</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>43</sup> 15 U.S.C. 78q-1(b)(3)(F).

(e)(6)(i), and (e)(18)(iv)(C) thereunder.<sup>44</sup>

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

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to, among other things, promote the prompt and accurate clearance and settlement of securities transactions, assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible, and, in general, to protect investors and the public interest.<sup>45</sup> The Commission believes that the Proposed Rule Change is consistent with Section 17A(b)(3)(F) of the Act for the reasons stated below.

FICC's proposal would provide that, for customer cross margining, FICC would calculate the margin requirement applicable to Customer Positions on a gross customer-by-customer basis, with margin reductions for Eligible Positions at CME that present offsetting risk. FICC would use the same margin methodology as it uses for Segregated Indirect Participant Positions and then determine potential margin reductions using the same methodology as is used for proprietary cross-margining,<sup>46</sup> with each customer treated separately. As the Commission previously stated when considering the margin methodology used for Segregated Indirect Participants, this approach should "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."<sup>47</sup> This methodology should ensure that margin requirements are calibrated based on the risk of each Cross-Margining Customer's portfolio,

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<sup>44</sup> 17 CFR 240.17Ad-22(e)(4), (e)(6)(i), and (e)(18)(iv)(C).

<sup>45</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>46</sup> See Order Approving Amended and Restated Cross-Margining Agreement, *supra* note 13, 88 FR at 63185 (approving proposed rule change that, among other things, replaced the methodology for calculating the margin reductions available to FICC's members).

<sup>47</sup> See Securities Exchange Act Release No. 101695 (Nov. 21, 2024), 89 FR 93763, 93776 (Nov. 27, 2024) (SR-FICC-2024-007).

thereby working to ensure that allowing customer cross-margining does not increase FICC's or CME's risk exposure in relation to the Cross-Margining Arrangement. Allowing FICC to continue to assess the margin required to cover risks arising from each participant's activities should support FICC's ability to meet its settlement obligations in the event of a member or indirect participant default, and, therefore, mitigate potential losses arising out of a member default that would exceed FICC's prefunded resources and result in a disruption of FICC's operation of its critical clearance and settlement services. Thus, by managing its risk exposures in relation to the Customer Cross-Margining Arrangement, the Proposed Rule Change should support FICC's ability to provide prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.<sup>48</sup>

The Third A&R Agreement also 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,<sup>49</sup> would help to ensure that FICC is able to look to the full portfolio of Customer Positions and associated margin at FICC and CME to satisfy any obligations arising under the Customer Positions. Additionally, the Third A&R Agreement identifies how FICC and CME would address the default of a Joint Clearing Member. Specifically, it would favor joint liquidation by the Clearing Organizations and also contemplate alternative default management scenarios in which a joint liquidation is not feasible, allowing for

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<sup>48</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>49</sup> See Section 8 (Guaranty of FICC to CME) and Section 9 (Guaranty of CME to FICC) of the revised Third A&R Agreement, *supra* note 22.

the most efficient risk management and closeout of positions. These provisions should work together to help limit non-defaulting members' exposure to mutualized losses since FICC would access the mutualized Clearing Fund should a defaulted member's own margin be insufficient to satisfy losses to FICC caused by the liquidation of that member's portfolio. By limiting FICC's risks related to a default of a member and limiting the exposure of FICC's non-defaulting members to mutualized losses, the Proposed Rule Change should help FICC assure the safeguarding of securities and funds which are in its custody or control, consistent with Section 17A(b)(3)(F) of the Act.<sup>50</sup>

Commenters generally supported the Proposed Rule Change.<sup>51</sup> For example, one commenter stated that the rules “will appropriately tailor margin requirements with actual portfolio risk[,]” with “[t]he resulting reduction in duplicative margin [making] clearing more efficient and offset[ing] some of the additional financial resource requirements that the industry will face upon implementation of the” requirements of Rule 17ad-22(e)(18), adopted in 2023.<sup>52</sup> Another commenter also stated that it was critical that the Commission “issue a non-objection so that FICC can implement the rule changes expeditiously, and well in advance of the Treasury

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<sup>50</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>51</sup> *See, e.g.*, Letter from Allison Lurton, General Counsel and Chief Legal Officer, Futures Industry Association (Jan. 20, 2026) (“strongly support[ing] the [customer cross-margining arrangement] and urging the [Commission] to approve it”) (“FIA Letter”); Letter from Katherine Tew Darras, General Counsel, International Swaps and Derivatives Association (Jan. 20, 2026) (“strongly support[ing] the proposed expansion of cross-margining to customer accounts”) (“ISDA Letter”). Commenters also discussed the bank capital requirements that apply to cross-product netting and potential changes that would better facilitate cross-margining, although they both supported approval of the Proposed Rule Change despite these comments. *See* FIA Letter at 3 and generally at 3-4 (stating that the current bank capital requirements make the customer cross-margining arrangement “largely impractical for BD-FCMs that are part of a banking organization . . . because [they] do not appropriately recognize the risk-reducing effects of cross-product netting arrangements”); *see also* ISDA Letter, at 2 (referencing “adjustments to bank capital regulation to recognize corresponding cross-product netting”). The Commission understands that the efficiencies gained through the Cross-Margining Arrangement may be affected by existing rules and regulations, as these commenters have explained. However, bank capital requirements are outside the Commission’s jurisdiction and the scope of the Proposed Rule Change.

<sup>52</sup> ISDA Letter, at 1-2.

clearing mandate implementation deadlines,” adding that timely implementation is essential so that clearing organizations and market participants can complete account setup, documentation, legal arrangements, end-to-end testing, and operationalize client cross-margining before mandatory clearing requirements take effect.”<sup>53</sup>

One commenter further stated that the Commission, FICC, and CME should actively review the appropriateness of margin levels and maximum offsets to ensure that margin is at all times sufficient.<sup>54</sup> The commenter stated that it is critical that FICC and CME have in place plans to avoid market shocks from urgent changes to margin levels.<sup>55</sup> The commenter identified this comment as “encourag[ing] CME and FICC to monitor and amend margin methodology as appropriate,” but “reiterated its strong support for the” proposal.<sup>56</sup>

The Commission agrees that a CCA should monitor the performance of its margin methodology. Under Rule 17ad-22(e)(6), a CCA is required to establish, implement, maintain and enforce written policies and procedures reasonably designed to cover, if the CCA provides CCP services, its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, among other things, is monitored by management on an ongoing basis and is regularly reviewed, tested, and verified by conducting backtests of its margin model at least once each day using standard predetermined parameters and assumptions and conducting a sensitivity analysis of its margin model and a review of its parameters and assumptions for backtesting on at least a monthly basis, and more frequently than monthly during periods of time when the products cleared or markets served display high volatility or become less liquid, or when the size

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<sup>53</sup> *Id.* at 2

<sup>54</sup> FIA Letter at 4.

<sup>55</sup> *Id.*

<sup>56</sup> *Id.*

or concentration of positions held by the CCA’s participants increases or decreases significantly.<sup>57</sup> These requirements would apply to the margin methodology used for the cross-margining arrangement, and, therefore, should ensure that FICC monitors the performance of the margin methodology.

Some commenters supported the proposal, but identified certain issues to be addressed.<sup>58</sup> First, these commenters advocated for further transparency around margin methodologies at both FICC and CME.<sup>59</sup> As the Commission has discussed previously, the Commission agrees that transparency is important with respect to a CCA’s margin methodology,<sup>60</sup> which would include with respect to cross-margining. A CCA is a self-regulatory organization (“SRO”) under the Exchange Act, subject to the provisions of Section 19(b) of the Exchange Act which requires

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<sup>57</sup> 17 CFR 240.17ad-22(e)(6)(iv)(A-C).

<sup>58</sup> Letter from Jennifer W. Han, Chief Legal Officer and Head of Global Regulatory Affairs, Managed Funds Association (“MFA”) (Jan. 27, 2026) (supporting the proposal, subject to certain comments) (“MFA Letter”); Letter from Jiří Krol, Deputy CEO, Global Head of Government Affairs, Alternative Investment Management Association (“AIMA”) (Jan. 20, 2026) (generally supporting the proposal, while identifying two issues that should be addressed) (“AIMA Letter”).

<sup>59</sup> Specifically, MFA encouraged FICC and CME to provide “comprehensive transparency regarding margin practices, including detailed breakdowns of calculations, netting arrangements, and the availability of excess collateral,” and it stated that this transparency is critical for the smooth operation of the cross-margining arrangement. MFA also stated that transparency will help ensure that the clearing member and its customer can calculate and anticipate margin needs effectively, including intraday margin obligations, and set aside the appropriate amount of margin. *See* MFA Letter at 2-3. Similarly, AIMA noted the importance of “transparent, repeatable and well-governed margin methodologies. . . particularly in a market as large, liquid and important as the U.S. Treasury market and for those customers that avail themselves of this new cross-margining opportunity.” AIMA stressed that customers and BD-FCMS must have “clear visibility into the drivers of initial margin outcomes and the conditions under which cross-margining benefits may expand or contract.” AIMA supported publicly available documentation of: (i) the risk factors and correlation assumptions underlying cross-product offsets; (ii) the stress scenarios and lookback windows used in determining margin requirements; (iii) the processes for model calibration, back-testing and performance monitoring; and (iv) the governance framework for changes to margin models or offset parameters.” AIMA Letter at 2.

<sup>60</sup> Covered Clearing Agency Resilience and Recovery and Orderly Wind-down Plans, Securities Exchange Act Release No. 101446 (Oct. 25, 2024), 89 FR 91000, 91006-08 (Nov. 18, 2024) (“Resilience and Recovery Adopting Release”).

public comment on any rule changes that an SRO seeks to adopt,<sup>61</sup> and CCAs are subject to certain rules that impose requirements related to transparency and disclosure to participants.

A CCA's margin methodology constitutes a material aspect of its operations, meaning that it is part of a CCA's stated policies, practices, or interpretations under Exchange Act Rule 19b-4.<sup>62</sup> As such, a CCA's margin methodology is subject to the filing obligations applicable to SROs under Section 19(b) of the Exchange Act regarding any proposed rule or proposed change to its rules.<sup>63</sup> The proposed rule filing process provides transparency into an SRO's proposed changes, through notice and comment. An SRO is obligated to file its proposed rule changes in a manner consistent with the requirements in Form 19b-4, which is intended to elicit information necessary for the public to provide meaningful comment on the proposed rule change and for the Commission to determine whether the proposed rule change is consistent with the requirements of the Exchange Act and the rules and regulations thereunder.<sup>64</sup> The Commission then publishes all proposed rule changes for comment.

In this way, the rule filing process promotes transparency to market participants and the public by ensuring notice is provided regarding a CCA's new initiatives or changes to governance, operations, and risk management.<sup>65</sup> With respect to a CCA's margin methodology, the rule filing process should provide transparency about how and when a CCA would calculate margin, including on an intraday basis, which is consistent with the requirements sought by the commenter.

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<sup>61</sup> *Id.* at 91006.

<sup>62</sup> *Id.*

<sup>63</sup> *Id.*

<sup>64</sup> *Id.* at 91007.

<sup>65</sup> *Id.*

Moreover, a CCA is obligated to establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for publicly disclosing all relevant rules and material procedures, including key aspects of its default rules and procedures.<sup>66</sup> As the Commission previously has stated, such public disclosures generally should include a discussion of a CCA's margin methodology, and they should, in turn, allow a market participant to understand how a CCA calculates margin, including any margin add-ons and cross-margin arrangements with other clearing agencies.<sup>67</sup> The Commission's rules regarding margin do not prescribe particular items to be made public, such as the specific items identified by the commenters.<sup>68</sup>

Finally, the Commission understands that FICC makes available a public calculator that provides market participants with the ability to calculate potential margin obligations on a simulated portfolio, for given positions and market value, using its Value at Risk methodology.<sup>69</sup> The Commission further understands that this calculator reflects positions subject to cross-margining.<sup>70</sup> Although not a substitute for a market participant's ability to understand a CCA's

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<sup>66</sup> *Id.* (citing 17 CFR 240.17ad-22(e)(23)).

<sup>67</sup> *Id.* at 91007-08.

<sup>68</sup> However, as part of the SRO rule filing process, most of the specific areas identified by the commenters have been addressed in FICC proposed rule changes because of their role in FICC's margin methodology. *See, e.g.*, Securities Exchange Act Release No. 81485 (Aug. 25, 2017), 82 FR 41433 (Aug. 31, 2017) (SR-FICC-2017-014) (approving FICC's Model Risk Management Framework that, among other things, describes procedures for model validation, approval, and performance monitoring, including reviews of risk-based models used to calculate margin requirements and relevant parameters/threshold indicators, sensitivity analysis, and backtesting results, and governance for model changes); Securities Exchange Act Release No. 97342 (Apr. 21, 2023), 88 FR 25721 (Apr. 27, 2023) (SR-FICC-2023-003) (approving modification of the description of the stressed period used to calculate the VaR Charge, *i.e.*, the lookback period, describing what the stressed period would be in addition to a 10 year period, and describing the information that FICC would use when determining whether to modify that period pursuant to FICC's Model Risk Management Framework).

<sup>69</sup> Resilience and Recovery Adopting Release, *supra* note 60, 89 FR at 91008.

<sup>70</sup> CME-FICC Cross-Margining Arrangement, Question 8 (June 2025), *available at* <https://www.dtcc.com/ustclearing/https/-/media/Files/Downloads/Microsites/Treasury-Clearing/CME-FICC-Cross-Margining-FAQs.pdf>.

margin methodology on its own, such a public calculator is a helpful tool for determining how a CCA's margin methodology operates, particularly if the calculator is able to provide information related to applicable cross-margin arrangements.<sup>71</sup> The existing obligations of FICC as a CCA and the availability of information and a public calculator to better understand FICC's margin methodology should help address the commenter's concern and should provide transparency regarding FICC's margin methodology and the cross-margining arrangement. Notwithstanding the commenters' advocating for specific additional transparency, this ability for participants to understand and anticipate margin requirements is consistent with promoting prompt and accurate clearance and settlement and safeguarding funds and securities, and it also should continue to protect investors and the public interest, consistent with Section 17A(b)(3)(F) of the Act.<sup>72</sup>

In addition, these commenters commented on suspension or termination of customers under the cross-margining arrangement. One such commenter encouraged FICC and CME to provide clarity regarding what conditions under which a customer's ability to cross-margin would be suspended, or its cross-margining arrangement terminated, such as upon the occurrence of an operational error or some other unexpected event, whether on the part of FICC/CME or the customer.<sup>73</sup> The commenter stated that it would be extremely disruptive if FICC and CME were to revert back to independent margin calculations with little notice to the customer because it could lead to large margin calls that bear little to no relation to the actual risk of the combined customer positions.<sup>74</sup> The commenter therefore recommended that the customer cross-margining

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<sup>71</sup> Resilience and Recovery Adopting Release, *supra* note 60, 89 FR at 91008.

<sup>72</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>73</sup> MFA Letter at 3.

<sup>74</sup> *Id.*

arrangements should not be suspended or terminated without sufficient notice.<sup>75</sup> Similarly, another commenter stated that there needed to be adequate protections in place that prohibit either FICC, CME, or an Eligible BD-FCM from unilaterally suspending or terminating a customer's cross-margining access.<sup>76</sup> The commenter stated that the Commission should require FICC, CME, and Eligible BD-FCMs to provide customers with clear, objective, and transparent criteria that govern when cross-margining access may be suspended or terminated, including prohibiting discriminatory or commercially motivated suspensions or terminations that are unrelated to bona fide risk concerns, and that prior written notice should also be required before suspension or termination.<sup>77</sup>

With respect to the BD-FCM, the contractual arrangements between an Eligible BD-FCM and its customer would govern the relationship, separate from the provisions of FICC's Rules.<sup>78</sup> Market participants should generally have the flexibility to determine the negotiable aspects of their relationships in their bilateral agreements, including with respect to termination and suspension.<sup>79</sup>

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<sup>75</sup> *Id.*

<sup>76</sup> AIMA Letter at 2.

<sup>77</sup> *Id.*

<sup>78</sup> Indeed, in certain types of access to customer cross-margining, the customer may not have any contractual relationship with FICC (*i.e.*, if the Cross-Margining Participant is an Agent Clearing Member for the customer, as an Executing Firm Customer). *See, e.g.*, GSD Rule 2, section 3(b) (defining "Executing Firm Customer"), *supra* note 14.

<sup>79</sup> In addition, under the Customer Cross-Margining Clearing Member Agreement, which, as discussed above, is a required document to participate and is an appendix to the Third A&R Agreement, a Cross-Margining Participant must provide two Business Days' written notice to FICC and CME in order to terminate the Customer Cross-Margining Clearing Member Agreement, and any such termination shall be effective upon written acknowledgement by both FICC and CME provided that (i) all positions in the Customer Cross-Margining Accounts have been closed or transferred to other accounts in accordance with the Rules, and (ii) all Stand-alone Margin Requirements in respect of any such transferred positions and all obligations of Member to the Clearing Organizations in respect of the Customer Cross-Margining Accounts have been fully satisfied. *See supra* Section III.A.5; *see also* Appendix C "Customer Cross-Margining Program" of the revised Third A&R Agreement, *supra* note 22.

With respect to FICC and CME, Section 7 of the Third A&R Agreement describes the actions that FICC or CME may take with respect to suspension and liquidation of a Cross-Margining Participant, and FICC's Rules address when it may terminate, suspend, or otherwise cease to act for or limit the activities of a Cross-Margining Participant.<sup>80</sup> These criteria are publicly disclosed to market participants and available for consideration when determining whether to enter into a Customer Cross-Margining Agreement.<sup>81</sup>

Section 2 of the Third A&R Agreement provides that, in addition to Section 7's provisions on suspension and liquidation, either FICC or CME may terminate the participation of a particular Cross-Margining Participant, with respect to some or all Cross-Margining Accounts of the Cross-Margining Participant, upon two business days prior written notice to the other Clearing Organization, but that no such termination shall be effective with respect to (i) any Reimbursement Obligation or Guaranty with respect to that Cross-Margining Participant or its Cross-Margining Affiliate that is incurred prior to the effectiveness of any such termination, or (ii) Section 7 of the Third A&R Agreement until the Stand-Alone Margin Requirement with respect to each Cross-Margining Account subject to such termination has been fully satisfied.<sup>82</sup> Further, the Clearing Organizations may require Member to close or transfer all positions in the Affected Customer Cross-Margining Accounts in accordance with the Rules, and the Agreement shall then terminate with respect to Affected Customer Cross-Margining Accounts provided that the Stand-alone Margin Requirement in respect of the transferred positions and all obligations of Member to the Clearing Organizations in respect of Affected Customer Cross-Margining

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<sup>80</sup> See GSD Rule 21, Section 1 (setting out the bases for restricting or suspending access to services), Section 4 (identifying the action that may be taken by GSD) and Section 22A (describing the procedures when FICC determines to cease to act for a member), *supra* note 14.

<sup>81</sup> See generally, GSD Rule 43 and the Existing Agreement, *supra* note 14.

<sup>82</sup> See Section 2(f) of the revised Third A&R Agreement, *supra* note 22.

Accounts have been fully satisfied.<sup>83</sup> These provisions should provide clarity as to how Eligible Positions would be handled in the event of a termination.

Notwithstanding the lack of the particular termination provisions sought by the commenters, the agreement identifies the circumstances in which the agreement may be terminated, what notice would be required to the Cross-Margining Participant, and how the positions would be treated, including the ability to port a customer's positions to another Cross-Margining Participant. These provisions provide clarity about the termination process for FICC and CME in the Third A&R Agreement, is consistent with promoting prompt and accurate clearance and settlement and safeguarding funds and securities, consistent with Section 17A(b)(3)(F) of the Act.<sup>84</sup> Moreover, these provisions should help cross-margining participants to understand and anticipate such circumstances, as well as allow customers to engage with their intermediary/Eligible BD-FCM to address issues of importance in their own contractual arrangements, which should help protecting investors and the public interest, consistent with Section 17A(b)(3)(F) of the Act.<sup>85</sup>

The commenter also stated that FICC and CME should establish a fallback mechanism short of a complete termination of the arrangement for circumstances in which margin is not able to be calculated pursuant to the cross-margining arrangement.<sup>86</sup> FICC and CME have stated that they maintain reasonable processes to address circumstances in which there are systems delays or disruptions in the cross-margining calculation process, such as those arising from position or

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<sup>83</sup> *Id.*

<sup>84</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>85</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>86</sup> MFA Letter at 3.

pricing file timelines.<sup>87</sup> Further, FICC and CME have stated that they do not guaranty that a margin reduction will be applied in all circumstances, but that, depending on the circumstances, there are alternative measures that would be taken to work to address the issue so that cross-margining benefits can be received.<sup>88</sup> As a general matter, FICC, as a CCA, is required to establish, implement, maintain, and enforce written policies and procedures reasonably designed to cover, if the CCA provides central counterparty services, its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, uses procedures (and, with respect to price data, sound valuation models) for addressing circumstances in which price data or other substantive inputs are not readily available or reliable, to ensure that the CCA can continue to meet its regulatory obligations.<sup>89</sup>

Accordingly, and for the reasons stated above, the Proposed Rule Change is consistent with Section 17A(b)(3)(F) of the Act.<sup>90</sup>

*B. Consistency with Rule 17ad-22(e)(4)(i) under the Exchange Act*

Rule 17ad-22(e)(4)(i) requires that FICC 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, including by maintaining sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence.<sup>91</sup>

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<sup>87</sup> CME-FICC Cross-Margining Arrangement, Question 9 (June 2025), *available at* <https://www.dtcc.com/ustclearing/https/-/media/Files/Downloads/Microsites/Treasury-Clearing/CME-FICC-Cross-Margining-FAQs.pdf>.

<sup>88</sup> *Id.* Such alternatives might include applying the prior day's margin calculation, or a previous cross-margin reduction percentage of the offsetting risk exposure when position files are not available.

<sup>89</sup> 17 CFR 240.17ad-22(e)(6)(iv)(B).

<sup>90</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>91</sup> 17 CFR 240.17ad-22(e)(4)(i).

The proposed changes should 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 (*i.e.*, Cross-Margining Customer-by-Cross-Margining Customer) basis, with margin reductions for offsetting positions calculated using a methodology that the Commission recently approved.<sup>92</sup> Examining the similar customer-by-customer gross margining arrangements adopted by FICC for Segregated Indirect Participants, the Commission found that such arrangements 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.”<sup>93</sup>

In addition, the Proposed Rule Change 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 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, coupled with the payment guarantees between FICC and CME set forth in the Third A&R Agreement, would ensure that

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<sup>92</sup> See *supra* note 47, 89 FR at 93763.

<sup>93</sup> *Id.* at 93776.

FICC and CME are able 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 Change is consistent with Rule 17ad-22(e)(4)(i) under the Exchange Act.<sup>94</sup>

*C. Consistency with Rule 17ad-22(e)(6)(i) under the Exchange Act*

Rule 17ad-22(e)(6)(i) requires that FICC 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 CCA 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 CCA's payment, clearing, or settlement facilities.<sup>95</sup>

As discussion in Parts III.A.3, above, FICC and CME would utilize their existing margin methodologies, consistent with how the Clearing Organizations calculate margin under the existing Proprietary Cross-Margining Arrangement. The Commission approved this methodology and overall approach in 2023, including with respect to Rule 17ad-22(e)(6)(i),<sup>96</sup> and it remains appropriate and consistent with Rule 17ad-22(e)(6)(i) for customer cross-

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<sup>94</sup> 17 CFR 240.17ad-22(e)(4)(i).

<sup>95</sup> 17 CFR 240.17ad-22(e)(6)(i).

<sup>96</sup> *See* Order Approving Amended and Restated Cross-Margining Agreement, *supra* note 13, 88 FR at 63188.

marginng as it would produce margin levels commensurate with the risks and particular attributes of the Eligible Positions.

In addition, as discussed in Part III.B.2 above, FICC-cleared Customer Positions of a Cross-Marginng Customer would be recorded in a Cross-Marginng Customer Account, which account would be a separate Type of Account for purposes of the GSD Rules. Because of this, under the GSD Rules,<sup>97</sup> the margin applicable to Customer Positions would be calculated separately and independently of the margin for any positions recorded in a different Type of Account, including any Proprietary Account of the Cross-Marginng Participant. The Third A&R Agreement would also provide for Customer Cross-Marginng 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.”<sup>98</sup>

Accordingly, the Proposed Rule Change is consistent with Rule 17ad-22(e)(6)(i) under the Exchange Act.<sup>99</sup>

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<sup>97</sup> The GSD Rules provide for certain Types of Accounts (*e.g.*, Segregated Indirect Participants Account or a Dealer Account), and a Netting Member’s margin requirement is the sum of the margin amounts calculated for each Type of Account. *See* GSD Rule 1 (defining “Type of Account”) and Rule 4, Section 2 (stating that a Netting Member’s Required Fund is the sum of amounts calculated for each type of Account, other than Segregated Indirect Participants Accounts), *supra* note 14.

<sup>98</sup> *See supra* note 47, 89 FR at 93776.

<sup>99</sup> 17 CFR 240.17ad-22(e)(6)(i).

D. *Consistency with Rule 17ad-22(e)(18)(iv)(C) under the Exchange Act*

Rule 17ad-22(e)(18)(iv)(C) requires that FICC establish, implement, maintain and enforce written policies and procedures reasonably designed to establish objective, risk-based, and publicly disclosed criteria for participation, which, when the CCA 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, which policies and procedures the board of directors of such CCA reviews annually.<sup>100</sup>

Expansion of the current cross-margining arrangement between FICC and CME to the customer level should facilitate access to clearance and settlement in the U.S. Treasury market by better aligning the margin requirements applicable to such indirect participants' positions with the risk those positions present. The Commission agrees that the reduced margin requirements resulting from allowing the cross-margining of Customer Positions should incentivize Cross-Margining Customers to post their own margin, reducing costs and freeing up capacity for Eligible BD-FCMs to provide clearing services, which could provide the opportunity to increase the volume of transactions they clear or to reduce the prices at which they provide services.

One commenter stated that, to fully benefit from cross-margining, customers must be able to consolidate the clearing of their portfolios in one or a small number of clearing members, which requires a "viable done-away clearing model."<sup>101</sup> The commenter stated that FICC's rules currently do not require a direct participant offering customer clearing to accept transactions executed by the customer with third-party executing firms (*i.e.*, done-away transactions), and

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<sup>100</sup> 17 CFR 240.17ad-22(e)(18)(iv)(C).

<sup>101</sup> MFA Letter at 4.

stated that the Commission and FICC should “do more” to ensure that customers may centralize the clearing of their in-scope portfolio in one or a small number of direct clearing members.<sup>102</sup> Although it recognizes the importance of done-away clearing, the Commission has not prescribed any particular cross-margining arrangement or access model,<sup>103</sup> nor has it required that customers be able to consolidate their clearing with a limited number of direct clearing members through some specified manner. Rule 17ad-22(e)(18)(iv)(C) does not require FICC and CME to provide a particular done-away clearing model, and FICC has not proposed such a model in this Proposed Rule Change. Accordingly, the proposed changes, without such additional requirements, are consistent with Rule 17ad-22(e)(18)(iv)(C) under the Exchange Act.<sup>104</sup>

## V. SOLICITATION OF COMMENTS

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

### Electronic Comments:

- Use the Commission’s internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number

SR-FICC-2025-025 on the subject line.

### Paper Comments:

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<sup>102</sup> *Id.* at 4.

<sup>103</sup> Standards for Covered Clearing Agencies for U.S. Treasury Securities and Application of the Broker-Dealer Customer Protection Rule With Respect to U.S. Treasury Securities, Securities Exchange Act Release No. 99149 (Dec. 13, 2023), 89 FR 2714, 2757 (Jan. 16, 2024).

<sup>104</sup> 17 CFR 240.17ad-22(e)(18)(iv)(C).

- 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-2025-025. This file number should be included on the subject line if e-mail 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](http://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-2025-025 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

#### **VI. ACCELERATED APPROVAL OF THE PROPOSED RULE CHANGE, AS MODIFIED BY AMENDMENTS NOS. 1 AND 2**

The Commission finds good cause, pursuant to Section 19(b)(2)(C)(iii) of the Act,<sup>105</sup> to approve the Proposed Rule Change prior to the thirtieth day after the date of publication of Partial Amendment No. 2 in the *Federal Register*. As noted above, Partial Amendment No. 2 updated the proposed changes to the GSD Rules in the Exhibit 5A to the Proposed Rule Change, to include a provision conforming with certain conditions of the Proposed Orders and to add missing terms in the Margin Component Schedule to conform with the proposed changes.<sup>106</sup> Amendment No. 2 does not change the purpose of or basis for the Proposed Rule Change, but

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<sup>105</sup> 15 U.S.C. 78s(b)(2)(C)(iii).

<sup>106</sup> *See supra* note 7.

instead, makes conforming and clarifying changes to Exhibit 5A to align with the proposed changes as originally published. The Commission has had the opportunity to consider Partial Amendment No. 2 as part of its analysis of the Proposed Rule Change. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2)(C)(iii) of the Act,<sup>107</sup> to approve the Proposed Rule Change, as modified by Partial Amendment Nos. 1 and 2, prior to the thirtieth day after the date of publication of notice of Amendment No. 2 in the *Federal Register*.

## **VII. CONCLUSION**

IT IS THEREFORE NOTICED, pursuant to Section 19(b)(2) of the Act<sup>108</sup> that proposed rule change SR-FICC-2025-025, as modified by Partial Amendments Nos. 1 and 2, be, and hereby is, APPROVED on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>109</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>107</sup> 15 U.S.C. 78s(b)(2)(C)(iii).

<sup>108</sup> 15 U.S.C. 78s(b)(2).

<sup>109</sup> 17 CFR 200.30-3(a)(12).