

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80717; File No. SR-FICC-2017-013]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Establish Fees for Government Securities Division CCIT Members, and Netting Members That Engage in CCIT Transactions

May 18, 2017.

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 May 16, 2017, Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. FICC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(2) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change consists of modifications to the *Fee Structure* in the Government Securities Division (“GSD”) Rulebook (“GSD Rules”)⁵ in order to establish fees for (i) CCIT Members, including those that participate through a Joint Account, and (ii) Netting Members that engage in CCIT Transactions.

II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The clearing agency has prepared summaries, set forth in sections A, B,

and C below, of the most significant aspects of such statements.

(A) Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

FICC has established the CCIT™ Service, which enables Netting Members that participate in the GCF Repo Service to engage in CCIT Transactions with CCIT Members and submit those transactions to FICC for clearing.⁶ Accordingly, FICC is proposing rule changes to amend the *Fee Structure* in the GSD Rules in order to establish fees for (1) CCIT Members, including those that participate through a Joint Account,⁷ and (2) Netting Members that engage in CCIT Transactions, as further described below.

Section I.D (Trade Comparison Fees, Modifications and Cancellations)

Section I.D of the *Fee Structure* (Trade Comparison Fees, Modifications and Cancellations) would be amended to exclude CCIT Transactions from the 25 cents per request charge for modification or cancellation of either side of a trade or Repo Transaction, consistent with the treatment of GCF Repo Transactions. This section also would be amended to provide that the charge to a Member for the entry of a request by such Member to modify or cancel a side of a CCIT Transaction would be 5 cents per 50 million of par value, consistent with the treatment of GCF Repo Transactions.

Section I.E (Trade Comparison Fees, Locked-In Trade Data)

Section I.E of the *Fee Structure* (Trade Comparison Fees, Locked-In Trade Data) would be amended to provide that the “Trade Submission” fee associated with the submission of trade data to FICC on a Locked-In Trade basis would not apply to CCIT Transactions, consistent with the treatment of GCF Repo Transactions. This section also would be amended to provide that, consistent with the treatment of GCF Repo Transactions, non-Inter-Dealer Broker Members would be subject to a onetime recording fee for the processing and reporting by FICC of a CCIT Transaction submitted to FICC on a Locked-In Trade basis in the amount of 7 cents per

million gross dollar amount of such CCIT Transaction (with a minimum charge of \$2.50).

Section I.F (Trade Comparison Fees, CCIT Transactions Submitted for Bilateral Comparison)

A new Section I.F of the *Fee Structure* (Trade Comparison Fees, CCIT Transactions Submitted for Bilateral Comparison) would be added by this filing to provide that, consistent with the treatment of GCF Repo Transactions and CCIT Transactions submitted to FICC on a Locked-In Trade basis, CCIT Members and Netting Members would be subject to a onetime recording fee for the processing and reporting by FICC of a CCIT Transaction submitted to FICC on a bilateral basis in the amount of 7 cents per million gross dollar amount of such CCIT Transaction (with a minimum charge of \$2.50).

Section III.A.1 (Netting Fee and Charges, Netting Fee)

Section III.A.1 of the *Fee Structure* (Netting Fee and Charges, Netting Fee) would be amended to provide that the fees applied to netted Compared Trades, Start Legs of Repo Transactions, Close Legs of Repo Transactions, Fail Deliver Obligations and Fail Receive Obligations on a per side and par value basis would not apply to CCIT Transactions, consistent with the treatment of GCF Repo Transactions.

Section III.D.4 (Netting Fee and Charges, Clearance Charges)

Section III.D.4 of the *Fee Structure* (Netting Fee and Charges, Clearance Charges) describes clearing bank fees and charges incurred by FICC for the services FICC performs in connection with Netting Members’ activity. Subsection (c) of this Section III.D.4, which describes The Bank of New York Mellon (“BNY”) fee on each GCF Repo Deliver Obligation that FICC creates from its BNY account, would be amended to provide that, when this BNY fee is assessed on FICC’s GCF Repo Deliver Obligations at BNY that are created versus CCIT Members at BNY, the fee would be calculated as 1 basis point per annum on a dollar amount of the underlying CCIT Transactions, and the fee would be passed through to the Dealer Account at BNY of the Netting Member that is the Repo Party to such CCIT Transactions. In addition, in order to distinguish it from the treatment of CCIT Transactions, FICC is proposing to amend this section to state that the fees assessed on FICC’s GCF Repo Deliver Obligations that are created versus Netting Members would be allocated to

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(2).

⁵ Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such terms in the GSD Rules, available at www.dtcc.com/~media/Files/Downloads/legal/rules/ficc_gov_rules.pdf.

⁶ See Securities Exchange Act Release Nos. 80574 (May 2, 2017), 82 FR 21439 (May 8, 2017) (SR-FICC-2017-005) and 80546 (April 27, 2017), 82 FR 20652 (May 3, 2017) (SR-FICC-2017-803).

⁷ With respect to CCIT Members participating through a Joint Account, the proposed fees that are the subject of this filing would be applied at the Joint Account level.

Dealer Accounts at BNY and to Dealer Accounts at J.P. Morgan Chase (“JPM”).

Section III.E (Netting Fee and Charges, Repo Transaction Processing Fee)

Section III.E of the *Fee Structure* (Netting Fee and Charges, Repo Transaction Processing Fee) would be amended to exclude CCIT Transactions from the fee imposed on term Repo Transactions that have been compared and netted, but which have not yet settled, consistent with the treatment of GCF Repo Transactions. This section also would be amended to provide that, consistent with the treatment of a GCF Repo Transaction, for a CCIT Transaction that has been compared and netted, but which has not yet settled, a processing fee would be calculated as follows:

(1) For all Netting Members and CCIT Members, a 0.04 basis point charge (*i.e.*, four hundredths of a basis point) would be applied to the gross dollar amount of such CCIT Transaction; and

(2) a 0.08 basis point charge (*i.e.*, 8 hundredths of a basis point) would be applied to the net dollar amount of a Netting Member’s or CCIT Member’s Collateral Allocation Entitlements and Collateral Allocation Obligations.

These fees would be applied each calendar day, but calculated on an annualized basis, as currently provided in this section.

Section III.G (Netting Fee and Charges, Repo Collateral Substitution Fees)

Section III.G of the *Fee Structure* (Netting Fee and Charges, Repo Collateral Substitution Fees) would be amended to exclude CCIT Transactions from the processing charge associated with repo collateral substitution requests. To be consistent with the treatment of GCF Repo Transactions, FICC is amending this section to state that GCF Repo Transactions would also be excluded from the processing charge associated with repo collateral substitution requests.

Section IV (Minimum Monthly Fee) and Section V (Fees Applicable to Additional Accounts)

Under Sections IV and V of the *Fee Structure* (Minimum Monthly Fee and Fees Applicable to Additional Accounts), CCIT Members would be excluded from the minimum monthly account fees charged to Comparison-Only Members and Netting Members for their primary GSD accounts and fees for any additional accounts they maintain with GSD.

Section VIII (Definition)

Section VIII of the *Fee Structure* (Definition) would be amended to exclude CCIT Transactions from the requirement that, for purposes of the *Fee Structure*, a “side” of a trade or transaction, and a Start Leg or a Close Leg of a Repo Transaction, be limited to \$50 million increments, consistent with the treatment of GCF Repo Transactions.

Member Impact

Participation in the CCIT Service is voluntary. Institutional cash lenders that wish to become CCIT Members, and Netting Members that wish to participate in the CCIT Service, have an opportunity to review the terms of the CCIT Service and determine if they would like to participate. Choosing to participate in the CCIT Service would subject these entities to all of the rules applicable to the CCIT Service, including the fees reflected in GSD’s *Fee Structure* as proposed by this filing.

2. Statutory Basis

Section 17A(b)(3)(D) of the Act requires that the GSD Rules “provide for the equitable allocation of reasonable dues, fees, and other charges among its participants.”⁸ FICC believes the proposed fees are equitably allocated among GSD Members because these fees would only be imposed upon those GSD Members that chose to utilize the CCIT Service. FICC also believes the proposed fees are reasonable because these fees would allow FICC to recover the costs (including pass-through costs from certain third parties) of providing the CCIT Service from those GSD Members that enjoy its benefits. Therefore, FICC believes the proposed fees are consistent with the requirements of Section 17A(b)(3)(D) of the Act.

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

FICC believes the proposed fees may impose a burden on competition by limiting participation in the CCIT Service to institutional cash lenders and Netting Members that are willing to pay the fees associated with their participation in the CCIT Service. However, FICC believes any burden on competition that may result from the proposed fees would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act,⁹ for the reason described below.

Although the proposal would impose fees on CCIT Members and Netting Members for their use of the CCIT

Service, FICC believes that any burden on competition that may result from the proposal would be necessary and appropriate because the proposed fees would provide FICC with the ability to achieve and maintain its operating margin, recover the cost of providing the CCIT Service and also pass through certain third-party fees that FICC would incur in connection with the CCIT Service. Moreover, as described in Section II.(A)1. above, participation in the CCIT Service is entirely voluntary, and, if Netting Members and their institutional counterparties do not wish to pay the fees associated with the service, they would be able to enter into non-cleared tri-party repo transactions in GCF Repo eligible asset classes outside of GSD.

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

Written comments relating to the proposed rule change have not been solicited or received. FICC will notify the Commission of any written comments received by FICC.

III. Date of Effectiveness of the Proposed Rule Change, and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁰ and paragraph (f) of Rule 19b-4 thereunder.¹¹ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. 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 (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-FICC-2017-013 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange

⁸ 15 U.S.C. 78q-1(b)(3)(D).

⁹ 15 U.S.C. 78q-1(b)(3)(I).

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f).

Commission, 100 F Street NE., Washington, DC 20549.

All submissions should refer to File Number SR-FICC-2017-013. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of FICC and on DTCC's Web site (<http://dtcc.com/legal/sec-rule-filings.aspx>). All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FICC-2017-013 and should be submitted on or before June 14, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

Eduardo A. Aleman,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80726; File No. SR-MRX-2017-04]

Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt Section IV of the MRX Fee Schedule

May 18, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"

or "Exchange Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 12, 2017, Nasdaq MRX, LLC ("MRX" 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.³ 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 adopt a fee schedule to establish the fees for Industry Members related to the National Market System Plan Governing the Consolidated Audit Trail (the "CAT NMS Plan" or "Plan") at Section X [sic] of the MRX Fee Schedule.

The text of the proposed rule change is available on the Exchange's Web site at www.ise.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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.

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

1. Purpose

The purpose of the proposed rule change is to adopt a fee schedule to establish the fees for Industry Members related to the CAT NMS Plan.

Bats BYX Exchange, Inc., Bats BZX Exchange, Inc., Bats EDGA Exchange, Inc., Bats EDGX Exchange, Inc., BOX Options Exchange LLC, C2 Options Exchange, Incorporated, Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., Financial

Industry Regulatory Authority, Inc. ("FINRA"), Investors' Exchange LLC, Miami International Securities Exchange, LLC, MIAAX PEARL, LLC, NASDAQ BX, Inc., Nasdaq GEMX, LLC, Nasdaq ISE, LLC, Nasdaq MRX, LLC,⁴ NASDAQ PHLX LLC, The NASDAQ Stock Market LLC, New York Stock Exchange LLC, NYSE MKT LLC, NYSE Arca, Inc. and NYSE National, Inc.⁵ (collectively, the "Participants") filed with the Commission, pursuant to Section 11A of the Exchange Act⁶ and Rule 608 of Regulation NMS thereunder,⁷ the CAT NMS Plan.⁸ The Participants filed the Plan to comply with Rule 613 of Regulation NMS under the Exchange Act. The Plan was published for comment in the **Federal Register** on May 17, 2016,⁹ and approved by the Commission, as modified, on November 15, 2016.¹⁰ The Plan is designed to create, implement and maintain a consolidated audit trail ("CAT") that would capture customer and order event information for orders in NMS Securities and OTC Equity Securities, across all markets, from the time of order inception through routing, cancellation, modification, or execution in a single consolidated data source. The Plan accomplishes this by creating CAT NMS, LLC (the "Company"), of which each Participant is a member, to operate the CAT.¹¹ Under the CAT NMS Plan, the Operating Committee of the Company ("Operating Committee") has discretion to establish funding for the Company to operate the CAT, including establishing fees that the Participants will pay, and establishing fees for Industry Members that will be

⁴ ISE Gemini, LLC, ISE Mercury, LLC and International Securities Exchange, LLC have been renamed Nasdaq GEMX, LLC, Nasdaq MRX, LLC, and Nasdaq ISE, LLC, respectively. See Securities Exchange Act Release No. 80248 (March 15, 2017), 82 FR 14547 (March 21, 2017); Securities Exchange Act Release No. 80326 (March 29, 2017), 82 FR 16460 (April 4, 2017); and Securities Exchange Act Release No. 80325 (March 29, 2017), 82 FR 16445 (April 4, 2017).

⁵ National Stock Exchange, Inc. has been renamed NYSE National, Inc. See Securities Exchange Act Release No. 79902 (Jan. 30, 2017), 82 FR 9258 (February 3, 2017).

⁶ 15 U.S.C. 78k-1.

⁷ 17 CFR 242.608.

⁸ See Letter from the Participants to Brent J. Fields, Secretary, Commission, dated September 30, 2014; and Letter from Participants to Brent J. Fields, Secretary, Commission, dated February 27, 2015. On December 24, 2015, the Participants submitted an amendment to the CAT NMS Plan. See Letter from Participants to Brent J. Fields, Secretary, Commission, dated December 23, 2015.

⁹ Securities Exchange Act Release No. 77724 (April 27, 2016), 81 FR 30614 (May 17, 2016).

¹⁰ Securities Exchange Act Release No. 79318 (November 15, 2016), 81 FR 84696 (November 23, 2016) ("Approval Order").

¹¹ The Plan also serves as the limited liability company agreement for the Company.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Exchange originally filed the proposed rule change on May 3, 2017 under File No. SR-MRX-2017-03. The Exchange subsequently withdrew that filing on May 12, 2017 and filed this proposed rule change.

¹² 17 CFR 200.30-3(a)(12).