November 13, 2026

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change, as Modified by Partial Amendment No. 1, to Establish a Guaranty Fund at the Government Securities Division (Release No. 34-106834; File No. SR-FICC-2026-008) and related Advance Notice (File No. SR-FICC-2026-802)

Dear Ms. Countryman:

The International Swaps and Derivatives Association, Inc. ("ISDA"), the Alternative Investment Management Association ("AIMA"), the Futures Industry Association ("FIA"), the Managed Funds Association ("MFA"), the Securities Industry and Financial Markets Association ("SIFMA") and the Asset Management Group of SIFMA ("SIFMA AMG") (together, the "Associations")[1] welcome the opportunity to comment in connection with the Commission's Order Instituting Proceedings (the "Order")[2] on the proposal by the Fixed Income Clearing Corporation ("FICC") to establish a dedicated Guaranty Fund at its Government Securities Division ("GSD") (the "Proposal").[3] We write in support of the Proposal and of FICC's letter of October 13, 2026 (the "FICC Response"), which responds to the comment letters submitted on the Proposal, including the letter submitted by the Independent Dealer and Trader Association ("IDTA") on September 1, 2026 (the "IDTA Letter").[4]

[1] Information about each of the Associations is set out in the Annex to this letter.
[2] Securities Exchange Act Release No. 34-106834 (Nov. 5, 2026) (File No. SR-FICC-2026-008).
[3] Securities Exchange Act Release No. 34-106053 (Aug. 6, 2026), 91 FR 51762 (Aug. 11, 2026) (File No. SR-FICC-2026-008) ("Notice of Filing"); Securities Exchange Act Release No. 34-106054 (Aug. 6, 2026), 91 FR 51787 (Aug. 11, 2026) (File No. SR-FICC-2026-802).
[4] Letter from Laura Klimpel, Managing Director, Head of Fixed Income and Financing Solutions, The Depository Trust & Clearing Corporation (Oct. 13, 2026); Letter from James M. Tabacchi, Chairman, Independent Dealer and Trader Association (Sept. 1, 2026). Comments on the Proposal are available at https://www.sec.gov/rules-regulations/public-comments/sr-ficc-2026-008.

Executive Summary

The Associations continue to support the Proposal and urge the Commission to approve it without further delay. The introduction of a dedicated, mutualized Guaranty Fund, together with bankruptcy-remote treatment of members' Clearing Fund deposits, implements global best practice for central counterparties ("CCPs"). It will make FICC safer, make the risks that members bring to FICC more transparent, and create capacity for clearing members to provide client clearing and intermediation as the U.S. Treasury clearing mandate takes effect.

In the ISDA/FIA Letter of September 1, 2026, ISDA and FIA recommended a number of refinements to the Proposal.[5] ISDA and FIA were clear, however, that these refinements should not delay the introduction of the Guaranty Fund and could be made after its initial implementation. The Associations repeat that request: the Commission should approve the Proposal urgently so that FICC can implement it ahead of the clearing mandate, with further changes to be agreed with members and filed afterwards.

In summary, and in response to the issues raised in the IDTA Letter and the Order, the Associations believe that:

- a dedicated guaranty fund separate from initial margin is the established structure for systemically important CCPs; FICC is currently an outlier, and the Proposal brings it into line with the majority of CCPs globally, including the two other CCPs that clear U.S. Treasury securities;
- the Guaranty Fund and bankruptcy-remote initial margin reduce risk in the system and free capital and credit capacity that clearing members can deploy for client clearing under the mandate;
- a separate Guaranty Fund, sized and allocated on the basis of stress testing, makes transparent the risk that each member brings to FICC and makes that risk easier to measure, size and manage, while ensuring that all members, regardless of size, contribute to the mutualized resource, which is consistent with the allocations of the two other CCPs that clear U.S. Treasury securities;
- a capped resource, consisting of the Guaranty Fund plus capped assessments, reduces incentives for members to withdraw in times of stress and therefore makes FICC safer;
- the Principles for Financial Market Infrastructures ("PFMI") and the Commission's rules expect stress testing across a wide range of historical and hypothetical scenarios; scenarios cannot be restricted to those previously observed;
- the Stress Test Deficiency Charge reinforces the defaulter-pays principle; and
- the mutualized Guaranty Fund performs a different function from the Backtesting Charge and the Volatility Event Charge in initial margin, providing FICC with sufficient resources without putting members' entire initial margin at risk.

[5] Letter from Ulrich Karl, Head of Clearing Services, ISDA, and Jacqueline Mesa, Senior Vice President, Global Policy, FIA (Sept. 1, 2026), available at https://www.sec.gov/comments/SR-FICC-2026-008/srficc2026008-1024719-3320747.pdf ("ISDA/FIA Letter").

Discussion

The Guaranty Fund implements global best practice for CCPs

Under the current GSD Rules, each member's Required Fund Deposit operates as that member's initial margin, while the aggregate of all Required Fund Deposits forms the Clearing Fund, which serves as GSD's default fund. As a result, the entire initial margin posted by every non-defaulting member is available to absorb the losses caused by another member's default. This structure is an outlier among systemically important CCPs. The large majority of CCPs in the United States and internationally hold initial margin, which is used only for the default of the member that posted it, separately from a pre-funded, mutualized default or guaranty fund that is sized through stress testing and is available to cover losses that exceed a defaulter's own resources.

The Proposal adopts this established structure. As FICC itself notes, establishing a Guaranty Fund sized to a Cover 2 standard would align FICC's risk management practices more closely with those of other global CCPs. Indeed, the two other CCPs that offer clearing of U.S. Treasury securities were approved by the Commission with a separate guaranty fund from the outset; the Proposal would put FICC on a par with them. It also restores the clear distinction between defaulter-pays and survivor-pays resources that underpins the default waterfall contemplated by the PFMI and by Rule 17ad-22(e)(4).[6] For the many members that clear at multiple CCPs, the Proposal does not introduce a novel burden; it introduces a familiar framework that improves comparability and reduces the analytical and operational burden of managing exposures across CCPs.

The Guaranty Fund and bankruptcy-remote initial margin reduce risk and create clearing capacity

By separating the mutualized Guaranty Fund from initial margin and excluding the Clearing Fund from loss mutualization, the Proposal enables members to conclude that their Clearing Fund deposits are bankruptcy remote from FICC. This has two effects. First, it reduces each member's counterparty exposure to FICC: a member's initial margin is no longer at risk from the default of others and is protected in the unlikely event of FICC's own insolvency. Second, under the Basel capital framework, initial margin posted in a bankruptcy-remote manner attracts a materially lower capital charge.

The capital and credit capacity released in this way can be deployed in sponsored and agent clearing services for clients. The mandatory clearing of eligible secondary market transactions in U.S. Treasury securities will require a significant expansion of such services, with compliance dates of December 31, 2026 for eligible cash transactions and June 30, 2027 for eligible repo transactions.[7] Additional intermediation capacity benefits the market as a whole, including the institutional investors and hedge funds that will need access to clearing, and

[6] CPMI-IOSCO, Principles for financial market infrastructures (Apr. 2012), Principle 4 (Credit risk) and Principle 6 (Margin); 17 CFR 240.17ad-22(e)(4) and (e)(6).

[7] Securities Exchange Act Release No. 34-99149 (Dec. 13, 2023), 89 FR 2714 (Jan. 16, 2024), as extended by Securities Exchange Act Release No. 34-102487 (Feb. 25, 2025), 90 FR 11134 (Mar. 4, 2025).

supports the objective of fair and open access in Rule 17ad-22(e)(18).[8] The reduction in risk is not limited to bank-affiliated members: every member, including non-bank broker-dealers, benefits from no longer having its full initial margin exposed to the defaults of other members.

A separate Guaranty Fund makes members' risk transparent and allocates it accordingly

Under the current structure, the mutualized exposure that each member bears is embedded within its margin obligation and is not separately visible. Under the Proposal, FICC sizes the Guaranty Fund daily on the basis of historical and hypothetical stress scenarios to cover the stress losses in excess of margin of the two largest Affiliated Families, and allocates the Guaranty Fund to members pro rata to their stress test deficiencies, that is, to the losses their portfolios would generate in excess of their own Required Fund Deposits.

A separate fund therefore makes transparent what risk each member brings to FICC, and allocates the mutualized resource on that basis. The relevant measure of the risk a member brings to the mutualized layer is the stress loss its portfolio would generate beyond its own margin, not the size of its margin. A portfolio whose stress losses are large relative to its margin contributes more to the risk borne by other members, regardless of the size of the firm. Most importantly, and most relevant to IDTA members, because contributions are allocated pro rata to each member's own stress losses in excess of its margin, a member whose portfolio generates little stress exposure contributes little to the Guaranty Fund, subject only to the minimum requirement. The largest risk-takers fund the largest share.

For the same reason, we do not support the suggestion to allocate the Guaranty Fund predominantly to systemically important members. Mutualization only works if all clearing members contribute in line with the risk they bring to the CCP. Past default losses at CCPs, such as those at Nasdaq Clearing in 2018 and the Korea Exchange in 2013, were caused by non-systemic small members.

A member's Guaranty Fund contribution, and its assessment obligation measured against that contribution, is a defined figure that members can measure, size, monitor and manage, and that FICC and the Commission can supervise. That is materially easier to risk-manage than an open-ended exposure embedded in a margin obligation, and supports the disclosure objectives of Rule 17ad-22(e)(23).[9]

In the ISDA/FIA Letter, ISDA and FIA asked FICC to review, after implementation, whether additional risk factors should be incorporated into the allocation methodology to support a risk-based and stable allocation.[10] We continue to believe such a review would be valuable. It can be undertaken once the Guaranty Fund is live and informed by actual experience under the clearing mandate, and should not delay approval.

[8] 17 CFR 240.17ad-22(e)(18).
[9] 17 CFR 240.17ad-22(e)(23).
[10] ISDA/FIA Letter at 6.

Capped resources reduce incentives to withdraw in times of stress

Today, a member's exposure to the losses of others extends to its entire Clearing Fund deposit and to loss allocation rounds that are not capped. Under the Proposal, a member's exposure to mutualized losses is limited to its Guaranty Fund contribution plus assessments capped at 200 percent of its Guaranty Fund Requirement per Event Period. Members can therefore determine their maximum potential liability to FICC in advance.

Capped and predictable liability makes a CCP safer. Where members face open-ended exposure, uncertainty about their potential losses in a stress event creates an incentive to reduce activity at, or withdraw from, the CCP at precisely the moment when the CCP depends on a stable membership to manage a default, including through hedging, auctions and the porting of client positions. A capped resource reduces that incentive and supports continued participation by members through a period of stress. The cap also benefits smaller members, whose own initial margin will no longer be available to cover losses caused by the default of the largest members.

We continue to recommend that FICC retain the current ten-business-day Event Period and adopt a genuine cooling-off period that extends automatically upon each subsequent default.[11] These refinements would further contain members' cumulative exposure, but they can be implemented after the Guaranty Fund is introduced.

Stress testing must cover a wide range of historical and hypothetical scenarios

The IDTA Letter argues that certain of FICC's stress scenarios are unrealistic because they exceed the largest movements observed historically, citing a scenario in which 10-year yields rise by 52 basis points.[12] We respectfully disagree with the premise that stress scenarios should be limited to observed market moves. The PFMI require a CCP to consider a wide range of relevant stress scenarios, including relevant peak historic price volatilities, shifts in other market factors such as yield curves, multiple defaults over various time horizons, simultaneous pressures in funding and asset markets, and a spectrum of forward-looking stress scenarios in a variety of extreme but plausible market conditions.[13] The Commission's rules similarly require a covered clearing agency to maintain financial resources sufficient to cover a wide range of foreseeable stress scenarios in extreme but plausible market conditions.[14]

Historical scenarios are, by definition, limited to events that have already occurred, and the next stress event is unlikely to replicate an earlier one. A CCP whose resources were calibrated only to past events would be backward-looking and would be under-resourced for precisely the novel stress that a robust framework must anticipate. In addition, single-day historical yield moves are not necessarily the right comparator for scenarios applied over a multi-day

[11] ISDA/FIA Letter at 4.

[12] IDTA Letter at 8.

[13] PFMI, Key Consideration 4.6; see also CPMI-IOSCO, Resilience of central counterparties (CCPs): Further guidance on the PFMI (July 2017), section 5.

[14] 17 CFR 240.17ad-22(e)(4).

liquidation horizon. The calibration of individual scenarios is properly a matter for FICC's risk governance, subject to the Commission's oversight. We have asked FICC for greater transparency over the scenarios used to size the Guaranty Fund,[15] and welcome indications that FICC is developing tools to help members anticipate their requirements, but this does not justify delaying the Proposal.

The Stress Test Deficiency Charge reinforces the defaulter-pays principle

The Proposal gives FICC the authority to require additional margin from members whose stress test deficiencies exceed predetermined thresholds relative to the Required Fund Deposits of all other members. This stress loss margin ensures that a member with an outsized stress exposure funds more of the risk it creates through its own, defaulter-pays resources, rather than mutualizing that risk across the membership through the Guaranty Fund. It directly addresses the concern expressed in the IDTA Letter that other members should not bear the risk generated by the largest members, and it does so in a risk-sensitive way that tracks the risk a member actually brings to FICC rather than its size. We have asked FICC to evaluate a lower threshold and to share further calibration analysis;[16] this, too, can be addressed after implementation.

The Guaranty Fund performs a different function from the Backtesting Charge and the Volatility Event Charge

The IDTA Letter suggests that the Guaranty Fund duplicates the Backtesting Charge and the Volatility Event Charge, and that those charges should be sunset if the Guaranty Fund is approved.[17] These tools serve different purposes. The Backtesting Charge and the Volatility Event Charge are components of initial margin. They are calibrated to each member's own portfolio, at a defined confidence level, to ensure that the member's margin covers its own potential future exposure as required by Rule 17ad-22(e)(6)(iii), and they remain defaulter-pays resources.[18] The Guaranty Fund, by contrast, is a mutualized resource sized to cover losses that exceed the defaulting members' margin under extreme but plausible conditions on a Cover 2 basis, as required by Rule 17ad-22(e)(4).

Removing these margin components would weaken the coverage of initial margin and shift more risk into the mutualized layer, which is the opposite of what the IDTA Letter seeks. Equally, covering the Cover 2 stress exposure through initial margin alone would require either substantially higher margin for all members or the continued mutualization of every member's entire margin, which is what the current structure does and why members' margin cannot today be treated as bankruptcy remote. The Guaranty Fund provides FICC with sufficient resources for extreme but plausible stress without putting members' entire initial margin at risk.

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[15] ISDA/FIA Letter at 3, 7.
[16] ISDA/FIA Letter at 7.
[17] IDTA Letter at 2–3.
[18] 17 CFR 240.17ad-22(e)(6)(iii).

The Commission should approve the Proposal now, with refinements to follow

In the ISDA/FIA Letter, ISDA and FIA recommended that FICC not mutualize non-default losses but instead hold dedicated resources funded by equity; retain a ten-business-day Event Period and adopt a genuine cooling-off period; permit a portion of the Guaranty Fund to be met with non-cash collateral; allow members one business day to fund increases following a resizing; review the allocation methodology and the Stress Test Deficiency Charge threshold after implementation; and provide greater transparency over the stress scenarios and impact studies.[19] We continue to regard these refinements as important and stand ready to work with FICC, its members and the Commission to agree and implement them through subsequent rule filings.

None of these refinements, however, warrants delaying the Proposal. Deferring the Guaranty Fund until after the repo compliance date, as the IDTA Letter requests, would leave the current structure, in which all members' initial margin is mutualized, assessments are uncapped and margin is not bankruptcy remote, in place throughout the transition to mandatory clearing, when cleared volumes and the number of indirect participants will grow significantly. It would also mean changing the default waterfall shortly after new participants have onboarded, rather than allowing them to onboard to the final structure. Implementing the Guaranty Fund now places FICC on a sounder footing for the mandate and is consistent with Section 17A(b)(3)(F) of the Exchange Act and Rule 17ad-22(e)(4).[20]

Conclusion

The Associations appreciate the opportunity to comment and support the FICC Response. We urge the Commission to approve the Proposal promptly and FICC to implement it without delay, with the refinements described in the ISDA/FIA Letter to be agreed with members and implemented afterwards.

[19] ISDA/FIA Letter at 1–9.

[20] 15 U.S.C. 78q-1(b)(3)(F); 17 CFR 240.17ad-22(e)(4).

Please do not hesitate to contact Ulrich Karl (ukarl@isda.org), Daniel Austin (daustin@aima.org), Doanh Le Ngoc (DLeNgoc@fia.org), Matthew Daigler (mdaigler@mfaalts.org), Robert Toomey (rtoomey@sifma.org) or William C. Thum (202-962-7381) should you have any questions or require additional information.

Sincerely,

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Annex

Information about the Associations

International Swaps and Derivatives Association, Inc. (ISDA)

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 79 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's website: www.isda.org.

Alternative Investment Management Association (AIMA)

AIMA is the world's largest membership association for alternative investments managers. Its membership has more firms, managing more assets than any other industry body, and, through our 10 offices located around the world, we serve over 2,000 members in 60 different countries. AIMA's mission, which includes that of its private credit affiliate, the Alternative Credit Council is to ensure that our industry of hedge funds, private market funds and digital asset funds is always best positioned for success. Success in our industry is defined by its contribution to capital formation, economic growth and positive outcomes for investors, while being able to operate efficiently within appropriate and proportionate regulatory frameworks. AIMA's many peer groups, events, educational sessions and publications, available exclusively to members, enable firms to actively refine their business practices, policies and processes to secure their place in that success.

Futures Industry Association (FIA)

FIA is the leading trade organization for the futures, options, and cleared swaps markets worldwide. FIA's membership includes clearing firms, exchanges, clearinghouses, and trading firms from more than 25 countries as well as technology vendors, lawyers, and other professionals serving the industry. FIA's mission is to support open, transparent, and competitive markets, to protect and enhance the integrity of the financial system, and to promote high standards of professional conduct. For more information, visit www.fia.org.

Managed Funds Association (MFA)

Managed Funds Association (MFA), based in Washington, D.C., New York City, Brussels, and London, represents the global alternative asset management industry. MFA's mission is to advance the ability of alternative asset managers to raise capital, invest it, and generate returns for their beneficiaries. MFA advocates on behalf of its membership and convenes stakeholders to address global regulatory, operational, and business issues. MFA has more than 180 fund manager members, including traditional hedge funds, private credit funds, and

hybrid funds, that employ a diverse set of investment strategies. Member firms help pension plans, university endowments, charitable foundations, and other institutional investors diversify their investments, manage risk, and generate attractive returns throughout the economic cycle.

Securities Industry and Financial Markets Association (SIFMA)

SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry-coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

SIFMA Asset Management Group (SIFMA AMG)

SIFMA AMG brings the asset management community together to provide views on U.S. and global policy and to create industry best practices. SIFMA AMG's members represent U.S. and global asset management firms whose combined assets under management exceed $45 trillion. The clients of SIFMA AMG member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS and private funds such as hedge funds and private equity funds.