INDEPENDENT DEALER & TRADER ASSOCIATION
Empowering Independent Dealers and Traders for Market Excellence
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September 1, 2026

Vanessa A. Countryman, Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Fixed Income Clearing Corporation — Proposed Rule Change (File No. SR-FICC-2026-008) and Advance Notice (File No. SR-FICC-2026-802) To Establish a Guaranty Fund in the Government Securities Division[1]

Dear Ms. Countryman:

The Independent Dealer and Trader Association ("IDTA") submits this letter in response to the above-captioned proposed rule change and companion advance notice (together, as modified by Partial Amendment No. 1, the "Proposal"), by which the Fixed Income Clearing Corporation ("FICC") would establish a separate, Guaranty Fund that must be fully prefunded by its Government Securities Division ("GSD") members to mitigate a hypothetical simultaneous default of its two largest members (referred to as "Cover 2").

The Independent Dealer and Trader Association ("IDTA") is made up of middle-market broker-dealers ("specialized firms") that intermediate in the U.S. Treasury market by providing repurchase agreement ("repo") financing, cash/DVP execution, and market access to institutional investors, hedge funds, and state and local governments. IDTA members represent as much as 15% of the total volume of the Treasury and Agency MBS repo markets[2]. Importantly, we serve a segment of the market that finds it difficult to obtain competitive financing or clearing relationships with the large banks.

[1]Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change, as Modified by Partial Amendment No. 1, To Establish a Guaranty Fund at the Government Securities Division, Exchange Act Release No. 34-106053, 91 FR 51762 (Aug. 11, 2026) (File No. SR-FICC-2026-008); and the companion advance notice, Exchange Act Release No. 34-106054, 91 FR 51788 (Aug. 11, 2026) (File No. SR-FICC-2026-802). FICC filed Partial Amendment No. 1 on August 4, 2026, to make clarifications and corrections; it did not alter the substance of the proposal. Citations herein to "91 FR __" are to the proposed-rule-change notice.

[2] This is the Association's own estimate based on member reporting; it is not derived from published data. IDTA members are independent broker-dealers that are not owned by or affiliated with a bank holding company.

Separate and apart from this filing, IDTA recently submitted, on an informal basis, to the Commission and other agencies a description of several interrelated issues arising in the implementation of Treasury repo central clearing — issues that present material risk to the orderly functioning of the market. That paper is attached to this comment letter. Also, yesterday, in a related development, the IDTA filed a comment letter with the SEC and the CFTC in response to the Joint Request for Comment on Further Implementation of Portfolio Margining and Cross-Margining of Securities and Derivatives.

I. Proposed Guaranty Fund

As filed, the Guaranty Fund ("GF") will require all FICC clearing members, including non-systemically important firms, to prefund a mutualized default fund sized to cover the simultaneous failure of the two largest members. Note, it's only the largest Members that present systemic risk to the system and none of the smaller Members. IDTA members recognize that loss mutualization is a tool for containing the *systemic* risk generated by the group of the largest Members. The IDTA does not oppose prudent risk management, nor does it dispute loss mutualization as a legitimate part of central clearing. However, the proposed Guaranty Fund unfairly burdens the smaller FICC Members and attempts to solve a problem for which there are already existing methods to address the same issue.

Under current rules, a member's Required Fund Deposit is built from eleven components — the VaR Charge, the Blackout Period Exposure Adjustment, the Back-testing Charge, the Holiday Charge, the Margin Liquidity Adjustment Charge, the Excess Capital Premium, the Intraday Supplemental Fund Deposit, the special charge, the Portfolio Differential Charge, the Volatility Event Charge, and the Intraday Mark-to-Market Charge.[3] After that sits FICC's existing loss allocation rules and its own Corporate Contribution.

Two existing components are already collected against the same exposure the Guaranty Fund targets. The Back-testing Charge collects additional margin when a member's losses exceed its margin coverage.[4] Separately, the Volatility Event Charge increases every Member's VaR by a percentage FICC may set between 10 and 30 percent, currently 10 percent, for three days[5] around major economic reports. Both of these margin charges

[3] See GSD Rules, Rule 4 (Clearing Fund) and the Margin Component Schedule, available at https://www.dtcc.com/legal/rules-and-procedures. The components are enumerated in Exchange Act Release No. 34-104735 (Jan. 29, 2026), 91 FR 4975 (Feb. 3, 2026) (File No. SR-FICC-2026-002).
[4] See 91 FR at 51772 (describing the Backtesting Charge as an additional charge that may be added to a Netting Member's Required Fund Deposit to mitigate exposures caused by settlement risks that may not be adequately captured by FICC's portfolio volatility model).
[5] Exchange Act Release No. 34-102907 (Apr. 22, 2025), 90 FR 17650 (Apr. 28, 2025) (File No. SR-FICC-2025-003) (approving the Volatility Event Charge); notice of filing at Exchange Act Release No. 34-102530 (Mar. 5, 2025), 90 FR 11760 (Mar. 11, 2025).

cover potential outsized moves beyond a three day 99% VaR. The Guaranty Fund was proposed to do the same thing. Given this overlap, should the Guaranty Fund be approved, these pre-existing programs should be sunset. However, because any recalibration of the existing FICC risk framework would require another proposed rule change - a process that requires a full notice-and-approval cycle - the Commission should postpone the decision on the Guaranty Fund until a comprehensive plan that includes all the related changes is properly proposed, considered by the SEC, and commented on by the public.

Further, when substituting the Guaranty Fund for margin relief, under Basel III, there is a lower capital charge for the SIFI banks which actually frees up capital for the banks, while independent broker dealers see no such relief from SEC net capital regulations.[6] This regulatory arbitrage is not only anti-competitive to the SEC regulated dealers, but also will free up additional balance sheet capacity for the systemic banks, encouraging them to get even larger, which in turn causes a higher net capital charge against the SEC regulated dealers so their leverage must come down. As this cycle continues, the big can continue getting bigger while the non-bank affiliated dealers continue to get squeezed out of the market.

The FICC Proposal requires non-systemic firms, whose own default risk is already covered by their own margin, to further prefund the default risk of the largest Netting Members. The non-systemic dealer distinction is not theoretical. In March 2020, during the most severe Treasury market stress in a decade a specialized, non-systemic GSD member defaulted and FICC completed the liquidation within three business days. The default of a non-systemic member was absorbed by that member's own resources in orderly default management.[7] This point cannot be overstated: non-systemically sized firms can be absorbed by the market without incident or contagion. Large systemic banks continuing to get bigger will eventually cause a systemic dysfunction.

FICC's own impact study over January–December 2025 reported an average Guaranty Fund requirement of approximately $6 billion (ranging from approximately $5.25 to $6.37 billion).[8] The IDTA acknowledges that the Proposal is intended to protect the system and we do not take issue with the size of the Guaranty Fund, but we question: *how much* a member may be assessed and *who should be required to pay for the exposures* FICC attributes to the largest members. The Proposal eliminates the longstanding Tier One/Tier

[6] See Exchange Act Release No. 34-106053, 91 FR 51762, 51763 (Aug. 11, 2026) (the Proposal includes changes to the GSD Rules "to facilitate the ability of Members to conclude that Clearing Fund deposits are bankruptcy remote from FICC within the meaning of the Basel capital rules").

[7] FICC Important Notice GOV857-20 (Mar. 20, 2020) (FICC ceased to act for Ronin Capital, LLC pursuant to GSD Rule 21); FICC Important Notice GOV864-20 (Mar. 25, 2020) (liquidation of the Ronin GSD portfolio completed; no loss allocation imposed on GSD member firms).

[8] 91 FR at 51779 (Guaranty Fund Impact Study, covering January 2025 through December 2025). The figures stated are those in the notice as modified by Partial Amendment No. 1, which corrected certain figures regarding the anticipated impact on Members for the average overall Guaranty Fund size. See 91 FR at 51762 n.3.

Two structure and creates a single class of Netting Members. It also allocates the cost to Members using the same method that was used to size the fund.

The Guaranty Fund Proposal should meet three guiding principles: (1) The largest, most systemically important firms, who create the risk that is being addressed, should cover the vast majority of the Guaranty Fund; (2) The remaining contributions should be spread across ALL Members based on the utility they derive from the system; and (3) The protections of Section 17A(b)(3)(I) of the 1934 Act be afforded whereby a definable class of smaller or non-systemically-important firms are not burdened by unnecessary anti-competitive rules.

II. The Proposal Increases Systemic Risk

FICC's Proposal must be assessed against the systemic-risk standard of Title VIII[9] of the Dodd-Frank Act, which governs Systemically Important Financial Market Utilities (SIFMUs), such as FICC. The Proposal will *increase* systemic risk rather than mitigate it. As a result of the FICC requirement to *"prefund" the simultaneous failure of the two largest members*, the Guaranty Fund will reduce the intermediation capacity of every other member, concentrating the market further in the largest firms. Central clearing was adopted to reduce the market's dependence on a small number of large balance sheets, but the cumulative effect of the Proposal will be the opposite: fewer independent intermediaries and a market more dependent on the largest systemically important institutions.

The Proposal even compounds this effect because FICC can resize the Guaranty Fund on an intra-month basis and a member must fund the resulting deficit in cash within hours[10]. Such a change can simply result from one of the two largest Members increasing their portfolio size, and, as a result, all other Members would be required to raise their contributions.

III. The Allocation Falls Disproportionately on Specialized Repo FICC Members

The Guaranty Fund does not arrive in isolation. It is the latest in a sequence of initiatives which raises the costs for Specialized Repo FICC Members and tilts the market toward both

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[9] Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, 12 U.S.C. 5461 et seq., is the legal framework for supervising Systemically Important Financial Market Utilities (SIFMUs), which includes Fixed Income Clearing Corporation (FICC). The systemic-risk standard governing the Commission's review of an advance notice appears at Section 806(e), 12 U.S.C. 5465(e).

[10] 91 FR at 51767 (proposed Rule 4A § 4(c): any deficit arising from an Intramonth Resizing "must be funded by the Intramonth Guaranty Fund Deposit Deadline on the same Business Day of notification"). FICC reports that no intramonth collections or resizing were observed during its January–December 2025 impact study. The Association does not suggest that intramonth resizing is a present operational burden; the point is that the mechanism is untested, and was measured against a market that mandatory central clearing will materially change.

the SIFIs and other systemically large participants. FICC members already cover their own default risk and the Proposal requires loss coverage beyond their own control. The Proposal asks for the Fund to be covered pro rata according to each member's average daily largest Stress Test Deficiency — its modelled stress-loss in excess of its own Required Fund Deposit[11]. While the largest firms bear the largest shares, their assessment relative to their existing daily Margin is proportionally much smaller.

A similar issue emerged in 2017. The Capped Contingency Liquidity Facility ("CCLF")[12] was created to increase FICC's liquid resources. CCLF is a committed but unfunded facility: members attest to their obligation, but convey no cash unless FICC declares a CCLF Event. As proposed in March 2017, CCLF allocated the supplemental amounts above a $15 billion threshold only to those Netting Members generating liquidity need above it. The Commission instituted proceedings and received ten comment letters, eight of them opposed the facility. In November 2017, the Commission approved the facility as proposed, relying in part on that tiered allocation as mitigating the burden on Members presenting lower liquidity risk.

In the current Proposal, the most relevant measure of a member's Guaranty Fund contribution size is its proportion to that of the member's existing daily Margin.[13] The chart below demonstrates how the Guaranty Fund relates to the initial margin of all FICC GSD Netting Members and compares that to its effect on middle market specialized repo dealer members of the IDTA.

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[11] 91 FR at 51767. Each Netting Member's Guaranty Fund Requirement would be the greater of its pro rata share of the largest Cover 2 Requirement — determined using each Netting Member's average daily largest Stress Test Deficiencies as compared to the sum of all Netting Members' average daily largest Stress Test Deficiencies — and the Minimum Guaranty Fund Requirement.

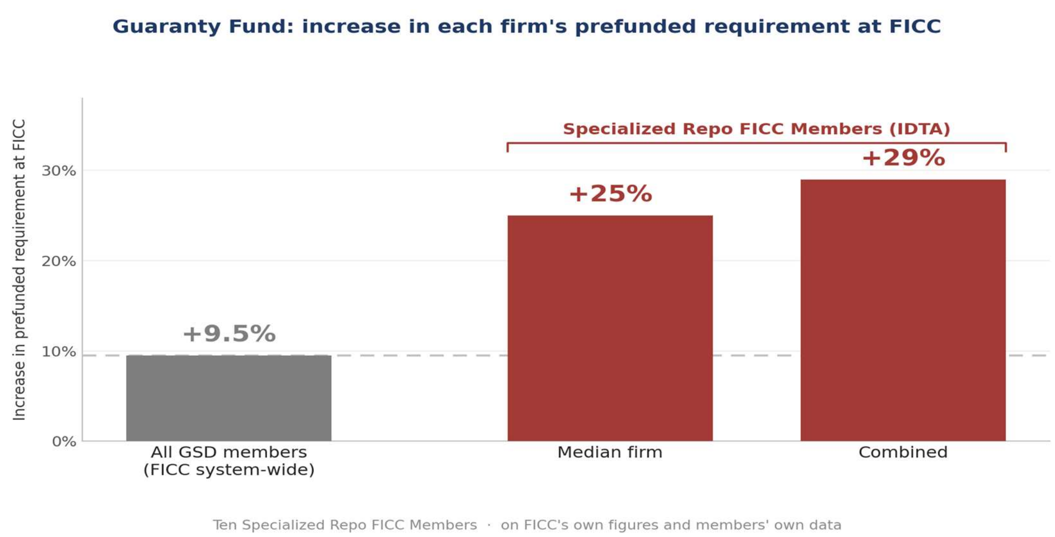
[12] Exchange Act Release No. 34-82090, 82 FR 55427 (Nov. 21, 2017) (approving File No. SR-FICC-2017-002); see Exchange Act Release No. 34-80234, 82 FR 14401, 14404–05 (Mar. 20, 2017) (notice of filing, describing the Aggregate Regular Amount and the supplemental liquidity tiers); FICC, CCLF User Guide, https://www.dtcc.com/-/media/Files/Downloads/Clearing-Services/FICC/CCLF-User-Guide.pdf.

[13] The system-wide figure compares the average Guaranty Fund size reported in FICC's impact study, 91 FR at 51779, with total GSD initial margin required as reported by FICC in its CPMI-IOSCO Public Quantitative Disclosures at field 6.1.1. The figures for the Association's members are drawn from the individual Guaranty Fund Impact Study reports FICC provided to each firm, aggregated across ten member firms and presented here only in the aggregate. The two measures are constructed differently — the member figures average each firm's daily ratio, while the system-wide figure is a ratio of aggregates — so the comparison is directional; the difference in construction does not account for a gap of this magnitude.

Millions	**The Ratio of Guaranty Fund Contributions to Required Fund Deposits**
65,000	Average total GSD initial margin - all members
6,000	Size of Proposed Guaranty Fund ("GF")
9.2%	**GF as percentage of initial margin – all Members**
1,400	Sum of 10 IDTA member firms Required Fund Deposits
405	Sum of 10 IDTA member firms Proposed GF contributions
28.90%	**IDTA GF as % of IDTA Required Fund Deposits**
3.1x	IDTA Member firms being assessed as a much larger relative burden

The proposed method of allocating the cost of the Guaranty Fund across members places the heaviest burden on the smallest, least systemically consequential members. This misallocation is the result of the Proposal using the same method for allocating the Guaranty Fund as was used to size it. However, this method (each Member's Stress Loss vs their Average VaR) is clearly not uniform between large and small firms. While the dollar amount assessed to the smaller firms is also small relative to the entire Guaranty Fund, as a percentage of the smaller firm's existing margin requirements, it is significant. The 10 IDTA Members included in this study contribute 2.1% of FICC's total Average Daily VaR – but are being asked to contribute 6.8% of the Guaranty Fund. The Proposal's allocation methodology imposes a burden on competition that is neither necessary nor appropriate within the meaning of Section 17A(b)(3)(I). The Proposal imposes on a definable class of non-systemically important firms a multiple of the average burden, without showing that the burden is necessary.[14]

[14] 15 U.S.C. 78q-1(b)(3)(I). See also Susquehanna Int'l Grp., LLP v. SEC, 866 F.3d 442, 447 (D.C. Cir. 2017) (the Commission must independently determine whether a self-regulatory organization's proposal satisfies the statutory standards).



IV. The Proposed Fund Should Not Be Implemented During the Transition to Mandated Central Clearing

In this letter, IDTA takes no position on whether central clearing will raise or lower risk. The Guaranty Fund, however, is sized on a January–December 2025 study of the *pre-transition* market. Mandatory central clearing is scheduled to begin for cash by December 31, 2026, and repo by June 30, 2027. If FICC implements the Guaranty Fund by March 1, 2027, it will begin right in the middle of the central clearing transition[15].[16]

Central clearing will materially change who clears, how positions net, how balance sheets are used, the composition of the membership, and each member's actual risk. Launching the Guaranty Fund during this period will increase market uncertainty and potentially lead to liquidity issues.

V. The Methodology Is Not Transparent for FICC Members To Manage

A member cannot manage a requirement that it cannot reproduce. While the Proposal commits FICC to publish sizing parameters and thresholds, the stress scenarios may be changed by an internal FICC committee. This requirement cannot be reconciled with the governance-and-transparency standard of Rule 17ad-22(e)(2),[17] particularly for member-owned clearing agencies that allocate costs among their members. At a minimum, FICC should provide members with a transparent "fund calculator," or the equivalent, to allow each member to understand, anticipate, and manage the requirement. As this letter was

[15] Compliance with the Commission's Treasury clearing requirements is required for eligible cash transactions by December 31, 2026 and for eligible repurchase transactions by June 30, 2027. See Exchange Act Release No. 34-99149 (Dec. 13, 2023), 89 FR 2714 (Jan. 16, 2024), as extended by Exchange Act Release No. 34-102487 (Feb. 25, 2025), 90 FR 11134 (Mar. 4, 2025).

[16]Exchange Act Release No. 34-102487 (Feb. 25, 2025), 90 FR 11134 (Mar. 4, 2025) (extending the compliance date for mandatory clearing of eligible U.S. Treasury repurchase transactions to June 30, 2027).

[17]17 CFR 240.17ad-22(e)(2) (governance arrangements that are clear and transparent and consider the interests of participants and the public); see also id. (e)(4), (e)(6) (credit risk and margin).

being prepared members of the IDTA have learned that FICC is apparently developing such a calculator. While we applaud such a development, a commitment for transparency of methodology must be a part of this rulemaking.

VI. The Stress Tests Are Excessive and Unrealistic

FICC characterizes the Guaranty Fund stress-test scenarios as "plausible," but their scenarios are in excess of every historical market movement. For example: One of the primary drivers of the Stress Loss Over Margin ("SLOM") is a scenario called "Fed Upsets Markets," where 10 year yields rise by 52 basis points. Using Bloomberg data for the UST 10 year and going back as far as August 25, 1986, the largest yield decline was 48.4 basis points on October 19, 1987. The largest yield increase was 36.1 basis points on March 17, 2020. The Guaranty Fund uses a larger move than has ever occurred in the history of the modern financial markets.

VII. Inconsistent With Post-2008 Financial Regulation

The entire post-2008 regulatory framework rests on the designation of SIFIs' enhanced capital standards, resolution planning, and the standing liquidity backstops. These exist because SIFI institutions are treated differently — for the reason that their failure threatens the entire financial system. SIFIs sit in Title I of Dodd Frank (FSOC designation, enhanced capital and leverage standards, resolution planning), administered by the Federal Reserve; Title VIII governs SIFMUs, such as FICC. Recent leverage relief — the enhanced supplementary leverage ratio recalibration adopted by the federal banking agencies in November 2025 and effective April 1, 2026 — eased constraints on the largest institutions.[18] Now, the FICC Guaranty Fund Proposal loads new requirements on the rest of the market – the exact opposite of addressing risk at its source. Title VIII of Dodd-Frank rests on a principle that systemic risk is to be identified and constrained at its source — at the SIFIs level — before it materializes and does not spread across the market. The IDTA realizes that among FICC's largest members there may be some that are systemically important in size, but not formally designated as a SIFI. Given that FICC is designated as a SIFMU, they carry the obligation to operate a margin risk system which does not burden the non-SIFI members and smaller in size with the risk that the SIFI members bring to the clearinghouse.

VIII. FICC's Obligations To Members

The Proposal, as filed, is inconsistent with the standards governing the Commission's review. Under Section 17A(b)(3)(I), a clearing agency's rules may not impose any burden

[18] Regulatory Capital Rule: Modifications to the Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Their Subsidiary Depository Institutions; Total Loss-Absorbing Capacity and Long-Term Debt Requirements for U.S. Global Systemically Important Bank Holding Companies, 90 FR 55248 (Dec. 1, 2025) (joint final rule of the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation; effective April 1, 2026).

on competition that is not necessary or appropriate. Under Section 23(a)(2), the Commission may not approve a rule that does so and must weigh its competitive effects.[19] Under Section 17A(b)(3)(D), the rules must provide for the equitable allocation of reasonable dues, fees, and other charges,[20] and under Section 17A(b)(3)(F) and Rule 17ad-22(e), they must protect investors — including the institutional investors and the state and local government entities that depend on these firms for market access — and the public interest, and provide for fair and open access[21]. And, under Title VIII, the advance notice must appropriately manage systemic risk — a standard the Proposal fails, because it misallocates the cost of systemic risk.

IX. Undercollateralized Leverage

The Fund will socialize the cost of undercollateralized leverage created by Members that do not collect haircuts from their customers. FICC does not margin customers directly: it charges the clearing member for the exposure its customers generate and leaves the member to decide what, if anything, to collect from the customer. The Federal Reserve reports that only about one-fifth of dealers surveyed generally collect margin from customers in FICC sponsored repo.[22] A Member that collects collateral against its customer positions reduces the exposure it brings to FICC; a Member that does not, does not. The Proposal's allocation measure does not distinguish between them. The Office of Financial Research reports that, within its collection of non-centrally cleared bilateral repo, more than 60 percent of outstanding Treasury repo carries a zero percent haircut, and 65 percent for hedge funds.[23] Given that central clearing will require members to report their customer repo transactions, FICC will be able to assess whether haircuts are taken on transactions. Even applying a conservative 1% haircut benchmark, the under-collateralization is on the order of $19 billion — more than three times the $6 billion FICC proposes to mutualize with the Guaranty Fund. Accordingly, IDTA recommends that a

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[19] 15 U.S.C. 78w(a)(2) (Commission must consider the effect on competition and may not approve a rule that imposes a burden on competition not necessary or appropriate).

[20] 15 U.S.C. 78q-1(b)(3)(D) (equitable allocation of reasonable dues, fees, and other charges).

[21] 15 U.S.C. 78q-1(b)(3)(F); 17 CFR 240.17ad-22(e).

[22] R. Jay Kahn & Matthew McCormick, Proportionate Margining for Repo Transactions, FEDS Notes (Bd. of Governors of the Fed. Reserve Sys., Feb. 14, 2025), https://www.federalreserve.gov/econres/notes/feds-notes/proportionate-margining-for-repo-transactions-20250214.html. The authors note that in centrally cleared repo "the CCP does not collect margin directly from the customer," and that the clearing member determines what margin, if any, to collect; they further report, citing the Federal Reserve's December 2023 Senior Credit Officer Opinion Survey on Dealer Financing Terms, that only one-fifth of dealers surveyed generally collected margin from customers in FICC sponsored repo, and observe that margining practices may not change substantially for a large portion of the market following implementation of the clearing mandate. See also Samuel Hempel, R. Jay Kahn, Robert Mann & Mark Paddrik, Why Is So Much Repo Not Centrally Cleared?, OFR Brief No. 23-01 (May 12, 2023) (74 percent of Treasury repo volume in the non-centrally cleared bilateral segment transacted at a zero haircut), https://www.financialresearch.gov/briefs/files/OFRBrief_23-01_Why-Is-So-Much-Repo-Not-Centrally-Cleared.pdf.

[23] Michael Cenicola, Samuel Mann & Mark Paddrik, OFR Blog No. 25-09 (Aug. 12, 2025), reporting that zero-haircut repo exceeds 60 percent for Treasury repo within the Office of Financial Research's non-centrally cleared bilateral collection, and that hedge fund repo at zero haircuts "remains high at 65 percent." See also Treasury Market Practices Group, White Paper on U.S. Treasury Repo Risk Management (May 22, 2025).

Member's Guaranty Fund contribution be offset by a credit reflecting the haircut or margin it collects against the customer positions it submits for clearing.[24]

X. FICC Did Not Consider Sensible Alternatives

The Commission published notices on August 11, 2026, with comments due September 1 — the 21-day period the Commission customarily allows.[25] Under Section 17A(b)(3)(I) of the Securities Exchange Act of 1934, any burden on competition that a clearing agency imposes must be *necessary or appropriate*. A burden is not necessary where the clearing agency's objective can be achieved by less destructive means. The Proposal reflects no meaningful consideration of alternatives, as outlined below:

XI. Solutions/Alternatives

Level One/Level Two Structure. The FICC proposal and its funding mechanism presume that every member poses a systemic risk to the system, and that is simply not correct. This letter has demonstrated, using FICC's own numbers, that the firms least able to put the system at risk pay roughly three times as much as the largest firms, relative to the margin they already post. A fee structure should charge each member for the risk it poses to the other members and to the system as a whole. Using the practices of other clearing organizations as a template, the Guaranty Fund can be structured as follows:

a) A large portion of the fund (e.g. half to two-thirds) would be allocated to the largest Members based on a size-based metric consistent with Members of systemically important size, whether or not formally designated as a SIFI under the Dodd-Frank Act. This satisfies the first principle that the largest firms who create the systemic risk bear the majority of the cost.

b) The remaining portion can be allocated to All Members (including those in the first group) based on their Required Fund Deposits. This satisfies the second and third principles; namely that All Members share in the cost relative to their utility gained by participating in the system and the smaller members are protected.

- **Concentration Limits** FICC can impose concentration limits on the two largest Members. If two Members create oversized risk, FICC can limit their activity to an acceptable level. The principle should be applied equally, fairly, and without bias.

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[24] Association estimate stated conservatively. Applying the Office of Financial Research's 65 percent figure to approximately $3.0 trillion of hedge fund repo cash borrowing implies roughly $1.95 trillion financed at a zero haircut; a one percent benchmark implies collateral not collected on the order of $19 billion, against a proposed Guaranty Fund of approximately $6 billion. See Phillip J. Monin, "Decomposing Hedge Funds' U.S. Treasury Exposures," FEDS Notes (Bd. of Governors of the Fed. Reserve Sys., June 22, 2026).

[25] See 91 FR at 51762, 51785 (setting a comment date of September 1, 2026). FICC filed the Proposal on July 24, 2026, filed Partial Amendment No. 1 on August 4, 2026, and the Commission published the Proposal as so modified on August 11, 2026.

- **Over-Collateralization Credit.** Collateral posted by customers as a haircut is a prefunded, loss-absorbing resource that directly reduces a member's risk contribution. FICC should reduce a member's Guaranty Fund assessment to reflect any haircut or margin they collect from their customer repo transactions. Members who over-collateralize their repo books are reducing FICC's risk and should get credit. Such a solution is fully consistent with the Proposal's own design because it already differentiates among members in the risk allocation.
- **Risk Transfer**. FICC can transfer the tail-risk to a third-party in the form of default insurance or through the capital markets. FICC is enjoying a significant increase in volume and revenues as a result of central clearing and can use the newfound gains/resources to cover the tail-risk of the Guaranty Fund. Remember, FICC is a member-owned cooperative, so the cost of such a facility would be shared among members in proportion to their ownership anyway.

XII. Consequences

If the FICC Proposal is approved as proposed, it will have a significant negative impact on middle market and smaller specialized firms. A large increase in margin requirements means an increase in capital requirements. A larger capital investment will mean a reduction in business activity. It means the costs imposed on specialized firms will materially reduce their capacity to intermediate. Absent raising additional capital to replace the prefunding requirement, IDTA and other specialized non-SIFI FICC members will be forced to decrease their repo financing activities, and some may be forced to exit the repo financing business altogether. On a larger scale, the Proposal will diminish the resilience of the Treasury and repo markets by decreasing competition and push intermediation further into the largest banks.

XIII. Recommendations

IDTA respectfully requests that the Commission:

- Decline the Proposal as filed and require modification to incorporate the recommendations outlined in this paper.
- Extend the comment period and defer the launch of the Guaranty Fund until well after the repo central clearing compliance date. Given the Proposal raises novel and complex issues, it warrants an extended review so affected firms have more time to analyze the impact.
- Level One/Level Two Structure. Restructure the Fund so that members contribute according to the risk they pose to other members rather than risk they already cover themselves, through a surcharge on systemically sized firms — whether or not formally designated as SIFIs — and a corresponding reduction or cap for non-systemic

members. The Proposal already embraces a differentiation of this kind by excluding Centrally Cleared Institutional Tri-Party (CCIT) Members and Registered Investment Company Netting Members entirely.[26]

- Cash-equivalent substitution. Members should be permitted to satisfy the Guaranty Fund requirement with U.S. Treasury securities, rather than in cash alone. The Proposal itself authorizes FICC to exchange members' cash for U.S. Treasury securities to meet its own liquidity needs[27] and there is no reason to deny members the same substitution for their Guaranty Fund obligation.
- Member representation in the stress-test process. Because the stress scenarios drive each member's requirement, FICC should include qualified market-participant representation in the committee that sets and reviews those scenarios, consistent with Rule 17ad-22(e)(2).[28]
- The Commission should not approve a rule that imposes a burden on those least responsible for the risk. The burden on competition was not shown to be necessary within the meaning of Section 17A(b)(3)(I).
- The Commission should require that the Guaranty Fund risk contribution be offset through a repo haircut/margin credit.
- Require FICC to explain and justify the Registered Investment Company exclusion and extend comparable tiering/relief to non-systemically important members.
- Require FICC to explore alternatives including: Leverage ratios on the two largest members, a committed facility rather than prefunded, a larger FICC contribution, and several risk transfer options.

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[26] See 91 FR at 51775. FICC states that Registered Investment Company Members are subject to regulatory requirements restricting their ability to incur mutualized losses, and that CCIT Members are excluded because FICC holds a perfected security interest in the securities underlying a CCIT Member's repurchase transactions — that is, because the exposure is collateralized.

[27] 91 FR at 51773 (authorizing FICC to exchange a Netting Member's cash Clearing Fund deposit for U.S. Treasury securities to obtain liquidity).

[28] 17 CFR 240.17ad-22(e)(2)(iii), (vi). The Proposal commits FICC to maintain on its public website information regarding the stress test scenarios, Guaranty Fund sizing parameters, and intramonth resizing thresholds used to size the Guaranty Fund. The Association's concern is that disclosure of such information, without the ability to reproduce the calculation, does not permit a member to anticipate or manage the requirement.

XIV. Conclusion

IDTA supports a resilient, well-capitalized, clearing system and does not dispute that mutualization has a legitimate role. The question is who should bear it. A design that requires smaller non-SIFI firms to prepay the systemic tail generated by the two largest members inverts the entire post-2008 regulatory framework. It further moves the Treasury market toward the concentration that central clearing was adopted to prevent. IDTA urges the Commission to adopt the recommendations in this letter. We appreciate the Commission's consideration and would welcome the opportunity to discuss these comments with the staff.

Respectfully submitted,

James M, Tabacchi

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James M. Tabacchi,
Chairman, Independent Dealer and Trader Association President and Chief Executive Officer, South Street Securities Holdings, Inc.

cc: SEC Commissioners
Fixed Income Clearing Corporation (RuleFilingAdmin@dtcc.com)

US Department of Treasury Office of Domestic Finance
House Task Force on Monetary Policy, Treasury Market Resilience and Economic Prosperity