SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-95286; File No. SR-NSCC-2022-009)

July 14, 2022

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change to Adopt Intraday Volatility Charge and Eliminate Intraday Backtesting Charge

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 July 7, 2022, National Securities Clearing Corporation ("NSCC") 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. 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 of NSCC consists of modifications to Procedure XV (Clearing Fund Formula and Other Matters) of the NSCC's Rules & Procedures ("Rules") to (1) adopt an intraday volatility charge that may be collected by NSCC on an intraday basis as part of Members' Required Fund Deposits to the Clearing Fund; and (2) eliminate the Intraday Backtesting Charge, as described in greater detail below.[3]

---

1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 Terms not defined herein are defined in the Rules, available at [http://dtcc.com/~/media/Files/Downloads/legal/rules/nscc_rules.pdf.]

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

NSCC is proposing to enhance its Clearing Fund methodology by implementing an intraday volatility charge that may be collected by NSCC to mitigate the risks presented by Members' adjusted intraday Net Unsettled Positions and Net Balance Order Unsettled Positions (hereinafter collectively referred to as "Net Unsettled Positions")[4] due to volatility in a Member's own trading activity (referred to in this filing as "volatility risk") that may occur between the collection of Members' Required Fund Deposits at the start of the day and the collection of Members' Required Fund Deposits at the start of the following Business Day.

In connection with the adoption of an intraday volatility charge and following an evaluation of the effectiveness of its margin methodology generally, NSCC is also

[4] Net Unsettled Positions refer to net positions that have not yet passed their settlement date or did not settle on their settlement date. See Procedure XV (Clearing Fund Formula and Other Matters) of the Rules, id.

proposing to eliminate the Intraday Backtesting Charge.[5] NSCC would continue to maintain the Regular Backtesting Charge that is assessed on Members' start of day portfolio, as permitted by, and as described in, the Rules.[6]

These proposed rule changes are described in greater detail below.

(i) Overview of the Required Fund Deposit and NSCC's Clearing Fund

As part of its market risk management strategy, NSCC manages its credit exposure to Members by determining the appropriate Required Fund Deposits to the Clearing Fund and monitoring its sufficiency, as provided for in the Rules.[7] The Required Fund Deposit serves as each Member's margin.

The objective of a Member's Required Fund Deposit is to mitigate potential losses to NSCC associated with liquidating a Member's portfolio in the event NSCC ceases to act for that Member (hereinafter referred to as a "default").[8] The aggregate of all Members' Required Fund Deposits constitutes the Clearing Fund of NSCC. NSCC would access its Clearing Fund should a defaulting Member's own Required Fund

---

5 See Procedure XV, Section I.(B)(3) of the Rules, supra note 3.

6 Id.

7 See Rule 4 (Clearing Fund) and Procedure XV (Clearing Fund Formula and Other Matters), supra note 3. NSCC's market risk management strategy is designed to comply with Rule 17Ad-22(e)(4) under the Act, where these risks are referred to as "credit risks." 17 CFR 240.17Ad-22(e)(4).

8 The Rules identify when NSCC may cease to act for a Member and the types of actions NSCC may take. For example, NSCC may suspend a firm's membership with NSCC or prohibit or limit a Member's access to NSCC's services in the event that Member defaults on a financial or other obligation to NSCC. See Rule 46 (Restrictions on Access to Services) of the Rules, supra note 3.

Deposit be insufficient to satisfy losses to NSCC caused by the liquidation of that Member's portfolio.

NSCC employs daily backtesting to determine the adequacy of each Member's Required Fund Deposit. NSCC compares the Required Fund Deposit[9] for each Member with the simulated liquidation gains/losses using the actual positions in the Member's portfolio, and the actual historical security returns. NSCC investigates the cause(s) of any backtesting deficiencies. As a part of this investigation, NSCC pays particular attention to Members with backtesting deficiencies that bring the results for that Member below the 99 percent confidence target (*i.e.*, greater than two backtesting deficiency days in a rolling twelve-month period) to determine if there is an identifiable cause of repeat backtesting deficiencies. NSCC also evaluates whether multiple Members may experience backtesting deficiencies for the same underlying reason.

Pursuant to the Rules, each Member's Required Fund Deposit consists of a number of applicable components, each of which is calculated to address specific risks faced by NSCC, as identified within Procedure XV of the Rules.[10] Each Member's start of day Required Fund Deposit is calculated overnight, based on the Member's prior end-

9 For backtesting comparisons, NSCC does not include actual collateral posted by the Member or Backtesting Charges that have already been collected from that Member. As described in this filing, NSCC will also exclude Intraday Collections from its intraday backtesting.

10 Supra note 3.

of-day Net Unsettled Positions, and notified to Members early the following morning to be deposited by approximately 10:00 a.m. EST.[11]

The volatility component of each Member's Required Fund Deposit is designed to measure market price volatility of the start of day portfolio and is calculated for Members' Net Unsettled Positions. The volatility component is designed to capture the market price risk[12] associated with each Member's portfolio at a 99th percentile level of confidence. NSCC has two methodologies for calculating the volatility component – a "VaR Charge" and a haircut-based calculation. The VaR Charge applies to the majority of Net Unsettled Positions and is calculated as the greater of (1) the larger of two separate calculations that utilize a parametric Value at Risk ("VaR") model, (2) a gap risk measure calculation based on the concentration threshold of the largest non-index position in a portfolio, and (3) a portfolio margin floor calculation based on the market values of the long and short positions in the portfolio.[13] The VaR Charge usually comprises the largest portion of a Member's Required Fund Deposit.

Certain Net Unsettled Positions are excluded from the calculation of the VaR Charge pursuant to Sections I.(A)(1)(a)(ii) and I.(A)(2)(a)(ii) of Procedure XV, and are instead subject to a haircut-based calculation that is calculated by multiplying the absolute value of the position by a percent that is determined by NSCC that is (i) not less

---

11 Procedure XV, Sections II(B) of the Rules, supra note 3. The Rules provide that required deposits to the Clearing Fund are due within one hour of demand, unless otherwise determined by NSCC.

12 Market price risk refers to the risk that volatility in the market causes the price of a security to change between the execution of a trade and settlement of that trade. This risk is also referred to herein as market risk and volatility risk.

13 Procedure XV, Sections I(A)(1)(a)(i) and (2)(a)(i) of the Rules, supra note 3.

than 10% for securities whose volatility is less amenable to statistical analysis and (ii) not less than 2% for securities whose volatility is amenable to generally accepted statistical analysis only in a complex manner.[14] Securities that are subject to the haircut-based calculation include unit investment trusts, corporate and municipal bonds and Illiquid Securities (as such term is defined in the Rules).[15] Long Net Unsettled Positions in Family-Issued Securities are also excluded from the VaR Charge and are subject to a separate, haircut-based charge designed to mitigate wrong-way risk.[16] The charge that is applied to a Member's Required Fund Deposit with respect to the volatility component is referred to as the volatility charge and is the sum of the applicable VaR Charge and the haircut-based calculation.

The margin requirement differential ("MRD") component charge is calculated as the sum of an exponentially weighted moving average ("EWMA") of positive day over day changes over a 100-day look back period in Member's (1) mark-to-market charge and (2) volatility charge, times a multiplier calibrated based on backtesting results.[17] The portion of the MRD charge that is calculated as the EWMA of positive day over day changes to the Member's volatility component over the look back period is referred to as the volatility portion of the MRD charge. This volatility portion of the MRD charge is designed to capture variability in the volatility charge collected from the Member over

---

14 Procedure XV, Sections I(A)(1)(a)(ii) and (2)(a)(ii) of the Rules, <u>supra</u> note 3.

15 <u>See</u> Rule 1 (Definitions and Descriptions) and Procedure XV, Sections I(A)(1)(a)(iii) and (2)(a)(iii) of the Rules, <u>supra</u> note 3.

16 Procedure XV, Sections I(A)(1)(a)(iv) and (2)(a)(iv) of the Rules, <u>supra</u> note 3.

17 <u>See</u> Sections I(A)(1)(e) and (2)(d) of Procedure XV of the Rules, <u>supra</u> note 3.

the look back period. However, the MRD charge would not capture significant intraday volatility swings in a Member's positions, which may be inconsistent with a Member's historical trading activity.

In addition to collecting Required Fund Deposits from Members at the start of day, NSCC may collect additional amounts intraday. Currently, NSCC may collect an additional intraday mark-to-market charge.[18] Intraday market moves and positions are tracked and this additional mark-to-market charge may be collected if the difference between the most recent mark-to-market price of a Member's net positions and the most recent observed market price exceeds a percentage of the Member's volatility charge. All intraday charges are due within one hour of demand (unless otherwise determined by NSCC).[19]

The Backtesting Charge, as described in Section I(B)(3) of Procedure XV, may be an additional component of a Member's Required Fund Deposit that NSCC may assess at either the start of the day as the Regular Backtesting Charge, or on an intraday basis as the Intraday Backtesting Charge.[20] More specifically, NSCC may assess a Backtesting Charge against any Member that has a 12-month trailing backtesting coverage below the 99 percent backtesting coverage target. When calculating a Member's backtesting coverage, NSCC excludes amounts already collected as a Backtesting Charge from a Member in calculating any applicable Backtesting Charge. Additionally, in response to

---

[18] See Sections I(B)(5) of Procedure XV of the Rules, supra note 3.

[19] See supra note 8.

[20] Section I(B)(3) of Procedure XV (Clearing Fund Formula and Other Matters) of the Rules, supra note 3. See also Release No. 79167 (October 26, 2016), 81 FR 75883 (November 1, 2016) (File Nos. SR-FICC-2016-006; SR-NSCC-2016-004).

regulatory feedback, NSCC is enhancing the calculation of its intraday backtesting coverage to exclude Intraday Collections. As described in this filing, this enhancement will impact the calculation of the Intraday Backtesting Charge.

If assessed, a Member's Backtesting Charge is generally equal to the Member's third largest deficiency, when calculating the Regular Backtesting Charge, and fifth largest deficiency, when calculating the Intraday Backtesting Charge, that occurred during the previous 12 months.[21] As described in Procedure XV, NSCC may adjust the Backtesting Charge if it determines that circumstances particular to a Member's settlement activity and/or market price volatility warrant a different approach to determining or applying such charge in a manner consistent with achieving NSCC's backtesting coverage target.[22]

NSCC calculates the Backtesting Charge monthly and, based on those calculations, may either continue to impose an existing Backtesting Charge, impose a new Backtesting Charge or remove an existing Backtesting Charge, or it may either increase or decrease a Member's existing Backtesting Charge as necessary to maintain its target backtesting coverage.

NSCC regularly assesses market risks as such risks relate to its margining methodologies to evaluate whether margin levels are commensurate with the particular risk attributes of each relevant product, portfolio, and market. The proposed changes to include an intraday volatility charge to its Clearing Fund methodology and to eliminate the Intraday Backtesting Charge, as described below, is the result of NSCC's regular

---

21 Id.

22 Id.

review of the effectiveness of its margining methodology. While the start of day volatility charge and other components of the Clearing Fund are designed to predict market price volatility that could occur after the collection of Required Fund Deposits at the start of the day, large and unexpected volatility could create exposures that are not captured by those amounts. Therefore, as described in greater detail below, the proposed intraday volatility charge would allow NSCC to address the risks that are presented by significant changes to the size and composition of Members' portfolios of Net Unsettled Positions after the collection of Members' Required Fund Deposits at the start of the day that may be caused by, for example, intraday market volatility or volatility in a Member's own trading activity.

The proposal to eliminate the Intraday Backtesting Charge is driven by a few considerations. Primarily, NSCC has determined, in connection with recent regulatory feedback, that the current methodology for calculating the Intraday Backtesting Charge may make an unreasonable assumption that, as described in greater detail below, may lead to undercounting of potential backtesting deficiencies. While NSCC considered adopting alternative calculation methodologies, it has instead determined that it will continue to be able to adequately address both its intraday market risk exposures and its backtesting coverage metrics if it eliminates the Intraday Backtesting Charge, as described in greater detail below.

(ii) Proposed Intraday Volatility Charge

In order to better address the volatility risks presented by Members' adjusted intraday Net Unsettled Positions between start of day collections of Required Fund Deposits, NSCC is proposing to implement an intraday volatility charge, which it may collect on an intraday basis as described below.

In 2017, NSCC accelerated the time its trade guarantee attaches to eligible transactions from midnight of one day after trade date ("T+1") to the point of trade comparison and validation for bilateral submissions or to the point of trade validation for locked-in submissions.[23] In order to address the additional risks NSCC would face in connection with guaranteeing trades at an earlier point in time, NSCC enhanced its Clearing Fund formula. Among those enhancements, NSCC adopted the MRD charge, an intraday backtesting charge and revised its mark-to-market charge to be collected when Members have intraday mark-to-market changes that are significant enough that NSCC is exposed to an increased risk of loss as a result of such Members' intraday trading activity.[24] At that time, NSCC also established intraday monitoring of volatility in its Members' Net Unsettled Positions and currently monitors such volatility in 15-minute increments between the collection of start of day Required Fund Deposits and end of day settlement. NSCC did not, however, believe an intraday volatility charge was necessary to address the risks presented by the accelerated trade guarantee, and did not adopt this charge at that time.

Intraday Volatility Charge Calculation. Since that time, through its regular monitoring, NSCC has occasionally observed significant intraday changes to market price volatility and significant changes to the size and composition of Members' portfolios of Net Unsettled Positions that could cause the amount collected as the

---

23 See Securities Exchange Act Release Nos. 79598 (December 19, 2016), 81 FR 94462 (December 23, 2016) (File No. SR-NSCC-2016-005); 79592 (December 19, 2016), 81 FR 94448 (December 23, 2016) (File No. SR-NSCC-2016-803) ("ATG Rule Change"). See also Addendum K of the Rules, supra note 3.

24 See id.

volatility charge at the start of that Business Day ("start of day volatility charge") to no longer be sufficient to mitigate the volatility risks that such positions present to NSCC. Therefore, NSCC believes it is appropriate to implement an intraday volatility charge that, similar to the current intraday mark-to-market charge, may be collected by NSCC when certain thresholds are met. More specifically, NSCC is proposing to utilize its existing intraday monitoring to determine when the difference between a Member's (1) start of day volatility charge, collected on that Business Day as part of the Member's start of day Required Fund Deposit based on that Member's prior end-of-day Net Unsettled Positions, and (2) a calculation of the volatility charge based on that Member's adjusted intraday Net Unsettled Positions as of a point intraday between the collection of the start of day Required Fund Deposit and end of day settlement, exceeds 100 percent and the amount that would be collected as an intraday volatility charge, calculated as described below, would be greater than $250,000.

In addition to applying these quantitative thresholds, NSCC also would not collect an intraday volatility charge in circumstances that would be specified in the Rules, as discussed in greater detail below, when the risk the proposed charge is designed to mitigate is expected to be mitigated by either later submitted or corrected trading activity. NSCC would continue to monitor intraday volatility in 15-minute increments throughout the day, and the calculation of the intraday volatility charge would be done at those intervals. While collections may occur multiple times throughout the day, intraday volatility charges are more likely to be collected later in the day, after additional, and potentially offsetting, activity has been submitted, as described in greater detail below.

The amount of intraday volatility charge that NSCC would collect from a Member when the charge is applicable would be equal to the difference between the start of day volatility charge and the intraday calculation of that volatility charge, described above, reduced by the amount collected from that Member at the start of that Business Day as the volatility portion of the MRD charge.[25] As described above, the volatility portion of the MRD charge is designed to measure changes in the volatility charge over the historic lookback period. However, risks presented by changes in intraday volatility that exceed a 100 percent threshold are not captured by the volatility portion of the MRD charge and NSCC believes the proposed intraday volatility charge would provide it with a better measure of these risks. Therefore, it would not be necessary for NSCC to collect as part of the intraday volatility charge any amounts that it has already collected as the volatility portion of the MRD charge for that Business Day.

NSCC currently excludes long Net Unsettled Positions in Family-Issued Securities from the calculation of the VaR Charge and instead uses a haircut-based calculation for these positions ("FIS charge").[26] The FIS charge is designed to measure the wrong-way risk that could be presented by long Net Unsettled Positions in Family-Issued Securities and is not a measurement of volatility risk or considered a part of the volatility charge. Therefore, because Members are charged the FIS charge separately from the volatility charge, NSCC would exclude this FIS charge from both components of the intraday volatility charge calculation.

---

[25] See supra note 13.

[26] See Sections I(A)(1)(a)(iv) and (2)(a)(iv) of Procedure XV of the Rules, supra note 3.

Adjusted Intraday Net Unsettled Positions. In calculating the volatility charge based on Members' intraday Net Unsettled Positions, NSCC would adjust the Net Unsettled Positions by excluding any position for which shares had either been delivered to the CNS System or received by the Member from the CNS System to satisfy all or any portion of that position. NSCC believes it would be appropriate to assume, for purposes of this calculation, that positions for which the shares have been delivered and received would settle at the end of the day. By adjusting the intraday Net Unsettled Positions to exclude these positions, the calculation of the intraday volatility charge would be more effectively driven by any significant intraday changes to the volatility risks presented by Members' adjusted intraday Net Unsettled Positions.

Additionally, in calculating the intraday volatility charge, NSCC would use the same inputs and parameters that were used in the calculation of the start of day volatility charge, including, initially, end of day price returns, such that, the calculation of the volatility charge that would occur intraday for purposes of the intraday volatility charge would use the same methodology as the calculation of the start of day volatility charge but would occur later in the day. While risk related to volatility in intraday prices is addressed by the intraday mark-to-market charge, and NSCC believes it is appropriate to use some of the same parameters and methodology in the intraday volatility charge calculation as it would allow the calculation to more accurately reflect the market price volatility based on changes in Members' Net Unsettled Positions rather than be driven by changes in those parameters, NSCC would explore ways to enhance its capabilities, it may, in the future, use intraday price returns for the calculation of the intraday volatility charge.

The proposed methodology would allow NSCC to measure the change in the volatility charge to determine if such change presents NSCC with exposures that are not adequately addressed by the start of day volatility charge on deposit in the Clearing Fund. If the threshold is met and NSCC determines it is appropriate to collect an intraday volatility charge, that charge would equal the difference between the two volatility charge calculations. By collecting an amount that is measured as the difference between the two volatility charge calculations, NSCC would be able to supplement the volatility charge already on deposit in its Clearing Fund with an amount that measures the change in volatility that has occurred since the Required Fund Deposit was collected at the start of the day.

Thresholds in Applying the Charge. NSCC would only determine if an intraday volatility charge is appropriate if two thresholds are met and the exceptions to the intraday volatility charge, as described in more detail below, are not applicable. The thresholds to the application of the intraday volatility charge are (1) when the difference between the two calculations of the volatility charge exceeds 100 percent, and (2) the amount that would be calculated as an intraday volatility charge would be greater than $250,000.

First, NSCC believes the 100 percent threshold is appropriate because, in normal market conditions, intraday changes in volatility that are lower than this threshold are more likely due to normal market fluctuations, and NSCC believes that only an increase that is larger than 100 percent would require mitigation through the intraday volatility charge. However, risks presented by changes in intraday volatility that exceed a 100 percent threshold could expose NSCC to additional market price risk for which NSCC currently does not have risk mitigation measures. Based on past observations, changes in the calculated volatility charge that exceed this threshold have generally occurred when a Member's portfolio composition changed significantly due to increased volumes in either all or specific securities. The proposed intraday volatility charge would provide NSCC with the ability to mitigate this material change in risk.

Similar to the intraday mark-to-market charge, NSCC would retain the discretion to lower this threshold if it determines that a reduction in this threshold is appropriate to mitigate risks to NSCC, for example during volatile market conditions or market events that cause increases in trading volume, or when NSCC believes a lower threshold is appropriate to mitigate risks presented by Members whose portfolios may present relatively greater risks to NSCC on an overnight basis. In circumstances when NSCC determines it is appropriate to reduce the threshold, the reduced threshold would apply to all Members. This discretion would allow NSCC to collect an intraday volatility charge earlier in light of increased levels of volatility risks. In these circumstances, a lower threshold would allow NSCC to more proactively preserve the coverage of its Required Fund Deposit.

Second, NSCC also believes it is appropriate to apply an additional threshold that would limit the collection of intraday volatility charges to when the amount that would be collected would be greater than $250,000. NSCC believes amounts below this threshold, which is the minimum required deposit to the Clearing Fund, would be immaterial to address any increased risk.

Exceptions to Collecting an Intraday Volatility Charge. As stated above, in certain specified circumstances, NSCC would not collect an intraday volatility charge from a particular Member or Members, despite a calculation that exceeds the quantitative thresholds. NSCC is proposing to amend the Rules to state that an intraday volatility charge would not be collected if (a) trades submitted later in the day would offset trades submitted earlier in the day, such that the thresholds would not have been met if such activity had been submitted earlier in the day, or (b) the threshold was met due to the submission of an erroneous trade that can be corrected.

As stated above, NSCC would monitor volatility in 15-minute increments between the collection of start of day Required Fund Deposits and end of day settlement. When the threshold is exceeded during normal market conditions earlier in the trading day, NSCC would typically not collect an intraday volatility charge until later in the day when Members have had an opportunity to submit trading activity that would be expected to offset trades submitted earlier in the day that caused the thresholds to be met. Off-setting trading activity may be submitted to NSCC later in the day in connection with Members' business model or trading practices. Additionally, a system issue or other error could cause a delay in the submission of activity.

NSCC believes that, in circumstances when later submitted activity offsets earlier submitted activity, whether that is due to Member's normal business practices or operational delays, an intraday volatility charge would not be necessary because the risk presented by the temporary increase in volatility would be expected to be mitigated by other clearing activity or corrected submissions that is submitted later in the day. As noted above, NSCC would monitor intraday volatility in 15-minute increments throughout the day and would continuously re-calculate the intraday volatility charge at those intervals. Therefore, NSCC would be able to determine in the subsequent calculations if later submitted or corrected trading activity was adequate to mitigate the observed increase in volatility risk or if an intraday volatility charge should be collected.

In determining not to collect an intraday volatility charge, despite a threshold trigger, NSCC would utilize the same escalation procedures that are currently in place when making similar determinations with respect to its current authority to waive intraday mark-to-market charges. Specifically, NSCC would utilize a predetermined escalation matrix that identifies the level of the required approver within the NSCC Market Risk group based on the amount of the calculated intraday volatility charge would not be collected. A decision not to collect the charge would be made based on documentation provided to the required approver regarding the circumstances of the calculated charge.

Application to Positions in Securities Financing Transactions. NSCC has established a clearing service for securities financing transactions ("SFT Clearing Service") to make central clearing available at NSCC for equity securities financing transactions ("SFTs").[27] NSCC would include the intraday volatility charge among the margin charges that are applicable to SFT positions cleared through the SFT Clearing Service. NSCC would implement this change by amending Section 12(c) of the proposed Rule 56 to include the intraday volatility charge as one of the components of Required SFT Deposit of an SFT Member, as such term is defined in Rules.[28]

---

[27] See Rule 56 (Securities Financing Transactions Clearing Service) of the Rules, supra note 3.

[28] Id.

Transparency, Notification and Collection of Intraday Volatility Charge

The proposed intraday volatility charge would provide NSCC with an important tool to address significant changes in the volatility risks presented to NSCC, such that these risks presented by Members' adjusted intraday Net Unsettled Positions are no longer adequately covered by the Required Fund Deposit collected at the start of day.

The proposed change would provide Members with transparency in the Rules regarding when and how NSCC may collect additional amounts to address this increased risk. Members would also be able to continue to use existing tools, including the ability to view the calculated volatility charge in 15-minute increments throughout the Business Day and the VaR (Value at Risk) Margin Calculator available in the NSCC Risk Client Portal, to monitor their positions and anticipate any potential intraday charges.

Additionally, and similarly to the process used today for the intraday mark-to-market charge, NSCC would provide its Members notice on days when there is increased volatility in the market, that an intraday charge may be collected. If NSCC determines to collect an intraday volatility charge pursuant to the Rules, it would issue a notice by electronic mail to those Members who are subject to that charge. Members would then be able to view the amount to be collected in NSCC's Clearing Fund Management system. Members who receive that notice would be required to fund the amount of the intraday volatility charge within one hour of that notice, pursuant to Section II(B) of Procedure XV.[29] This notification and collection process would be identical to the current process that is followed for the notification and collection of the intraday mark-to-market process.

[29] Supra note 8.

Proposed Intraday Volatility Charge and other Margin Charges

As discussed above, the proposed intraday volatility charge would be implemented with a calculation methodology that is similar to the calculation of the current intraday mark-to-market charge. As noted above, the intraday mark-to-market charge addresses the risk presented by changes in market prices over the course of the day, where the proposed intraday volatility charge would address the risk presented by changes in a Member's own clearing activity that may occur over the course of the day. Despite the difference in risks that these charges are designed to address, both intraday charges would be applied with a similar methodology. For example, both intraday charges would be generally measured as the difference between the charge collected at the start of the day and a calculation of that charge intraday. Both intraday charges would also be triggered when a threshold is met, and in both cases, NSCC would retain discretion in the ability to lower that threshold. NSCC would also utilize the same notification process for the proposed intraday volatility charge that currently used to notify Members when an intraday mark-to-market charge is assessed. By structuring the proposed intraday volatility charge similarly to the current intraday mark-to-market charge, NSCC believes the proposal would provide Members with predictability and clarity into how the proposal charge would be calculated and assessed.

Currently, pursuant to Sections I(A)(1)(c) and I(A)(2)(c) of Procedure XV, NSCC may collect an additional payment, referred to as the "special charge," from Members in view of price fluctuations in or volatility or lack of liquidity of any security, based on factors that NSCC determines to be appropriate.[30] NSCC has rarely assessed a special

[30] See supra note 3.

charge, but believes this “special charge” continues to be a valuable risk management tool that would allow it to collect additional amounts in the event of unpredictable, unusual or sudden market events that present additional risks to NSCC that its margining methodology is not able to predict. While the proposed intraday volatility charge would provide NSCC with an additional tool to address events that cause Members’ positions to increase the levels of volatility risks, it will be used only when it is triggered by the applicable calculation. When the intraday volatility charge is triggered, a special charge would not also be required from a Member to address the same volatility risks. Likewise, if NSCC is exposed to volatility risks that are not captured by the intraday volatility charge calculation or by other available margin charges, NSCC would have the ability to mitigate those risks through the collection of a special charge.

Finally, as noted above, the MRD charge is an additional component of Members’ Required Fund Deposit that is designed to capture some of the risk presented by increased volatility between collection of Required Fund Deposits.[31] Larger increases in volatility that the MRD charge is not able to predict and capture in the start of day collection of Required Fund Deposits, however, will be captured by the proposed intraday volatility charge. Because of the ability of volatility portion of the MRD charge to manage the risk of some increase to volatility between collection of Required Fund Deposits, NSCC would adjust the amount of intraday volatility charge it would collect from Members when the threshold is met by the amount of the volatility portion of the MRD charge collected from a Member at the start of that Business Day.

31 See supra note 17.

(iii) Proposal to Eliminate the Intraday Backtesting Charge

NSCC is also proposing to eliminate the Intraday Backtesting Charge. The Backtesting Charge, which may be collected as an Intraday Backtesting Charge or a Regular Backtesting Charge collected at the start of the day, was adopted in 2016 shortly after NSCC implemented the intraday mark-to-market charge as part of its proposal to accelerate its trade guaranty ("ATG").[32] Intraday margin surveillance, collection and backtesting performance were key issues during the development and proposal of ATG. While NSCC had also considered adopting an intraday volatility charge as part of the ATG proposal, at that time it was decided that NSCC would continue to monitor intraday volatility exposures, with the expectation of later developing an intraday volatility charge. As noted above, the proposal to now eliminate the Intraday Backtesting Charge is driven by a few considerations.

First, in connection with recent regulatory feedback, NSCC has determined that the current methodology for calculating the Intraday Backtesting Charge makes an unreasonable assumption that NSCC would cease to act for a Member that has paid all of its intraday margin requirements. As a result, this calculation methodology may underestimate a Member's backtesting losses and undercounting potential backtesting deficiencies. In light of this, NSCC considered revising the methodology for calculating the Intraday Backtesting Charge to exclude amounts it has already collected from the Member.[33] However, a calculation that disregards intraday margin collections would

---

32 Release No. 79167 (October 26, 2016), 81 FR 75883 (November 1, 2016) (File Nos. SR-FICC-2016-006; SR-NSCC-2016-004).

33 NSCC recently filed a proposed rule change to amend Section I.(B)(3) of Procedure XV of the Rules to clarify that the calculation methodology for the Backtesting Charge does not include amounts already collected as a Backtesting

penalize Members for making intraday margin deposits and be considered double margining.

More specifically, as stated above, NSCC's daily backtesting is designed to measure the adequacy of each Member's Required Fund Deposit by comparing the Required Fund Deposit for a Member with the simulated liquidation gains/losses using the actual positions in that Member's portfolio, and the actual historical security returns. Margin amounts collected intraday from a Member are a part of their Required Fund Deposit. If NSCC collects margin from a Member intraday, but does not include that amount in its Required Fund Deposit in connection with its backtesting, resulting in a backtesting deficiency and a subsequent Intraday Backtesting Charge, that Member would have covered its risk to NSCC twice – first as intraday margin collected from that Member and second as an Intraday Backtesting Charge. Therefore, NSCC has determined to eliminate the Intraday Backtesting Charge rather than exclude amounts collected intraday from Members in its calculation.

Second, NSCC believes it will continue to be able to adequately address both its intraday market risk exposures and its backtesting coverage metrics if it eliminates the Intraday Backtesting Charge. On an intraday basis, NSCC would continue to rely on both the intraday mark-to-market charge and the proposed intraday volatility charge to address intraday exposures presented by price volatility and changes to its Members' positions intraday. Further, in connection with its daily backtesting, NSCC will monitor the intraday backtesting metric inclusive of all intraday collections to assess the

---

Charge from that Member. Release No. 93678 (November 30, 2021), 86 FR 69109 (December 6, 2021) (File No. SR-NSCC-2021-014).

continued effectiveness of its intraday margining process. Additionally, NSCC would maintain the Regular Backtesting Charge, which is collected at the start of the day, to support its backtesting coverage. Studies reviewing the impact of removing the Intraday Backtesting Charge on NSCC's backtesting coverage metrics, described in greater detail below, indicate that this proposal would not have a significant impact on NSCC's ability to maintain its backtesting coverage target.

Therefore, given the deficiencies in the current calculation of the Intraday Backtesting Charge and the risks related to adjustments to this calculation that would address those deficiencies, and in light of both the enhancements NSCC has made to its intraday margining since the adoption of the Intraday Backtesting Charge as well as its proposal to now adopt an intraday volatility charge, NSCC has determined it is appropriate to eliminate the Intraday Backtesting Charge.

(iv) Proposed Changes to Procedure XV of the Rules

In order to implement the proposed intraday volatility charge, NSCC would amend Procedure XV to add a new subsection 6 to Section I.(B) of Procedure XV of the Rules. This new subsection would describe the thresholds for collecting an intraday volatility charge, the exceptions to the collection of the charge when those thresholds are met, and the calculation of that charge. The proposed change would also describe NSCC's discretion to reduce the 100 percent threshold and the circumstances in which it may exercise that discretion.

The proposed rule change would, to a certain extent, mirror the description of the current intraday mark-to-market charge, which has a similar percent threshold and calculation and for which NSCC retains similar discretion regarding the ability to reduce the percent threshold. By using a similar calculation and applying similar discretion to that already used for the intraday mark-to-market, NSCC would adopt a rule change that is clear and understandable by its Members.

In order to eliminate the Intraday Backtesting Charge, NSCC would amend Section I.(B)(3) of Procedure XV, where the Backtesting Charge is described, to eliminate references to the Intraday Backtesting Charge.

(v) Impact Study Results

With respect to the proposed intraday volatility charge, NSCC has provided the Commission with the results of an impact study that reviewed Member positions at 4:00PM EST between January 3, 2020 and May 28, 2021. This study showed the proposal would have resulted in approximately eight intraday volatility charges collected on an average day during that time period, and such charges would have been an average of $31.6 million, ranging in size from $251 thousand to $1.35 billion.

With respect to the proposal to eliminate the Intraday Backtesting Charge, NSCC has provided the Commission with the results of an impact study that reviewed the impact the proposal would have had on both end of day backtesting and intraday backtesting between February 2021 and February 2022. During this time period, NSCC collected a daily average of $30.0 million in total Intraday Backtesting Charge collected from 15 Members. The Intraday Backtesting Charges that made up this total amount averaged approximately $2.0 million, ranging in size from $10 thousand to $21.1 million. While NSCC would not have collected these amounts if the proposal was in place during this time period, the results of the study showed that the end of day backtesting would have remained above the 99% coverage target during that time period and would have had an immaterial impact on intraday backtesting results, causing backtesting to drop below the 99% coverage target slightly in only two instances. The backtesting results would not be materially impacted by the proposal because the Intraday Backtesting Charges generally do not represent a large portion of the total Clearing Fund collected from Members and the proposal to introduce an intraday volatility charge would, when applicable, allow NSCC to collect additional amounts.

(vi) Implementation Timeframe

NSCC would implement the proposed changes no later than 10 Business Days after the approval of the proposed rule change by the Commission. NSCC would announce the effective date of the proposed changes by Important Notice posted to its website.

2. Statutory Basis

NSCC believes the proposed changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. In particular, NSCC believes the proposed change is consistent with Section 17A(b)(3)(F) of the Act,[34] and Rules 17Ad-22(e)(4)(i), (e)(6)(i) and (e)(23)(ii), each promulgated under the Act,[35] for the reasons described below.

Section 17A(b)(3)(F) of the Act requires that the rules of NSCC be designed to, among other things, 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 be designed to promote the prompt and accurate clearance and settlement of securities transactions.[36] NSCC believes the proposed change to implement an intraday volatility charge is

---

[34] 15 U.S.C. 78q-1(b)(3)(F).

[35] 17 CFR 240.17Ad-22(e)(4)(i), (e)(6)(i), (e)(23)(ii).

[36] 15 U.S.C. 78q-1(b)(3)(F).

designed to assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible because it is designed to mitigate changes in volatility that could occur intraday and increase the risks to NSCC related to liquidating a Member's portfolio following that Member's default. Specifically, the proposed intraday volatility charge would allow NSCC to collect financial resources to cover its exposures that it may face due to increases in volatility that occur between collections of start-of-day Required Fund Deposits.

The Clearing Fund is a key tool that NSCC uses to mitigate potential losses to NSCC associated with liquidating a Member's portfolio in the event of Member default. Therefore, the proposed change to include an intraday volatility charge among the Clearing Fund components, when applicable, would enable NSCC to better address any changes to market price volatility or the size of a Member's portfolio of Net Unsettled Positions that occur intraday, such that, in the event of Member default, NSCC's operations would not be disrupted and non-defaulting Members would not be exposed to losses they cannot anticipate or control. In this way, the proposed change to implement the intraday volatility charge is designed to assure the safeguarding of securities and funds which are in the custody or control of NSCC or for which it is responsible, consistent with Section 17A(b)(3)(F) of the Act.[37]

Furthermore, NSCC believes the proposal to eliminate the Intraday Backtesting Charge is consistent with the requirements of Section 17A(b)(3)(F) of the Act because it would eliminate a charge that is currently calculated based on an unreasonable assumption and is no longer needed for NSCC to address its intraday market risk

---

[37] Id.

exposures and backtesting coverage metrics. By eliminating this charge, the proposal would allow NSCC to more accurately and, therefore, effectively measure its intraday risk exposures, which NSCC believes would promote the prompt and accurate clearance and settlement of securities transactions. As such, NSCC believes that the proposed change would be consistent with Section 17A(b)(3)(F) of the Act.[38]

Rule 17Ad-22(e)(4)(i) under the Act requires, in part, that NSCC 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.[39]

As described above, NSCC believes the proposed change to adopt an intraday volatility charge would enable it to better identify, measure, monitor, and, through the collection of Members' Required Fund Deposits, manage its credit exposures to Members by maintaining sufficient resources to cover those credit exposures fully with a high degree of confidence. Specifically, NSCC believes that the proposed intraday volatility charge would effectively mitigate the risks related to intraday increases in volatility and would address the increased risks NSCC may face related to liquidating a Member's portfolio following that Member's default. Therefore, NSCC believes the proposal would enhance NSCC's ability to effectively identify, measure and monitor its credit exposures and would enhance its ability to maintain sufficient financial resources to cover its credit

---

38 Id.

39 17 CFR 240.17Ad-22(e)(4)(i).

exposure to each participant fully with a high degree of confidence. As such, NSCC believes the proposed change to adopt an intraday volatility charge is consistent with Rule 17Ad-22(e)(4)(i) under the Act.[40]

NSCC also believes the proposal to eliminate the Intraday Backtesting Charge is consistent with Rule 17Ad-22(e)(4)(i) under the Act[41] because it would eliminate a charge that is currently calculated based on an unreasonable assumption and is no longer needed for NSCC to address its intraday market risk exposures and backtesting coverage metrics. By eliminating this charge, the proposal would allow NSCC to more accurately and, therefore, effectively identify, measure, monitor, and manage its credit exposures to participants. As such, NSCC believes this proposed change is consistent with Rule 17Ad-22(e)(4)(i) under the Act.[42]

Rule 17Ad-22(e)(6)(i) under the Act requires, in part, that NSCC 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.[43]

The Required Fund Deposits are made up of risk-based components (as margin) that are calculated and assessed daily to limit NSCC's credit exposures to Members. NSCC's proposed change to introduce an intraday volatility charge is designed to more

---

[40] Id.

[41] Id.

[42] Id.

[43] 17 CFR 240.17Ad-22(e)(6)(i).

effectively address the risks presented by significant intraday changes to market price volatility or a Member's portfolio of Net Unsettled Positions. NSCC believes the addition of the intraday volatility charge would enable NSCC to assess a more appropriate level of margin that accounts for increases in these volatility risks that may occur intraday. This proposed change is designed to assist NSCC in maintaining a risk-based margin system that considers, and produces margin levels commensurate with, the risks of portfolios that experience significant volatility on an intraday basis. Therefore, NSCC believes the proposed change to adopt an intraday volatility charge is consistent with Rule 17Ad-22(e)(6)(i) under the Act.[44]

NSCC also believes the proposal to eliminate the Intraday Backtesting Charge is consistent with Rule 17Ad-22(e)(6)(i) under the Act.[45] Given the deficiencies in the current calculation of the Intraday Backtesting Charge and the risks related to adjustments to this calculation that would address those deficiencies, NSCC believes that the proposal to eliminate the Intraday Backtesting Charge would support its continued maintenance of a risk-based margin system that considers, and produces margin levels commensurate with, the risks of its Members' portfolios. As such, NSCC believes the proposal is consistent with Rule 17Ad-22(e)(6)(i) under the Act.[46]

Rule 17Ad-22(e)(23)(ii) under the Act requires that NSCC establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for providing sufficient information to enable participants to identify and evaluate the risks,

---

44 Id.

45 Id.

46 Id.

fees, and other material costs they incur by participating in NSCC.[47] NSCC is proposing to amend the Rules to include a description of the intraday volatility charge, including the thresholds that would trigger the collection of the charge, the exceptions to the collection of the charge when the thresholds are met, the method by which NSCC would calculate that charge, and NSCC's discretion to reduce the percent threshold that triggers the collection of the charge, including the circumstances when NSCC may exercise this discretion.

Through these proposed amendments to the Rules, the proposal would assist NSCC in providing its Members with sufficient information to identify and evaluate the risks and costs, in the form of Required Fund Deposits to the Clearing Fund, that they incur by participating in NSCC. Additionally, the proposed intraday volatility charge would be calculated in a way that is similar to the calculation of the current intraday mark-to-market charge, as described in greater detail above, providing Members with consistency and, therefore, a clearer understanding of the methodology used to calculate this proposed charge. The proposed changes would also disclose NSCC's discretion in lowering the percent threshold that triggers the collection of the charge and would provide examples of when such discretion may be exercised.

In this way, NSCC believes the proposed changes are consistent with Rule 17Ad-22(e)(23)(ii) under the Act.[48]

---

47 17 CFR 240.17Ad-22(e)(23)(ii).

48 Id.

(B) <u>Clearing Agency’s Statement on Burden on Competition</u>

NSCC believes that the proposed change to adopt an intraday volatility charge could have an impact on competition. Specifically, NSCC believes the proposed charge could burden competition because it would result in larger Required Fund Deposit amounts for Members when the intraday volatility charge is applicable and result in a Required Fund Deposit that is greater than the amount calculated pursuant to the current formula.

The impacts of this proposal on a particular Member would depend on the size and composition of the Member’s portfolio and the potential market volatility of positions in that portfolio. The proposed change is not designed in a way that is intended to or expected to impact Members of a certain legal entity type or size or who employ a particular business model. NSCC is proposing to specify in the Rules the circumstances in which NSCC would not collect an intraday volatility charge that is otherwise triggered by the thresholds. Such circumstances would account for Members’ business practices that may result in the later submission of trading activity that would offset trades submitted earlier in the day. As described above, NSCC would also determine not to collect an intraday volatility charge if the amount would be $250,000 or less. NSCC believes these exceptions to the collection of the intraday volatility charge would mitigate any unintended disparate impacts on Members of a certain size or who have a certain business model. In this way, NSCC expects that Members that present similar adjusted intraday Net Unsettled Positions, regardless of the type or size of Member or a Member’s particular business practices, would have similar impacts on their Required Fund Deposit amounts as a result of the proposal.

When the proposal results in a larger Required Fund Deposit, the proposed change could burden competition for Members that have lower operating margins or higher costs of capital compared to other Members. However, the increase in Required Fund Deposit would be in direct relation to the specific risks presented by each Member's adjusted intraday Net Unsettled Positions, and each Member's Required Fund Deposit would continue to be calculated with the same parameters and at the same confidence level for each Member. Therefore, because the impact of the proposal on a Member is related to the specific risks presented by that Member's clearing activity and not on the type or size of a Member, NSCC believes that any burden on competition imposed by the proposed change would be both necessary and appropriate in furtherance of NSCC's efforts to mitigate risks and meet the requirements of the Act, as described in this filing and further below.

Additionally, NSCC would use apply specified, risk-based exceptions to collecting the intraday volatility charge when the thresholds are triggered. As described above, NSCC would not collect an intraday volatility charge if the thresholds are triggered due to these specified circumstances, rather than due to an increase in risk exposures presented by a Member's adjusted intraday Net Unsettled Positions that would not be mitigated by later trading activity. In such cases, any burden on competition imposed on Members who are assessed the charge as compared to Members who are not assessed the charge due to these specified circumstances would be due to the application of risk-based criteria that is specified in the Rules and would be necessary and appropriate in furtherance of NSCC's efforts to mitigate risks and meet the requirements of the Act, as described in this filing and further below.

NSCC believes the above described burden on competition that may be created by the proposed intraday volatility charge would be necessary in furtherance of the Act, specifically Section 17A(b)(3)(F) of the Act.[49] As stated above, the proposed intraday volatility charge is designed to address the risks of increases in market price volatility or other changes to a Member's portfolio on an intraday basis that could increase the costs to NSCC of liquidating a Member portfolio in the event of the Member's default. Specifically, the proposed intraday volatility charge would allow NSCC to collect sufficient financial resources to cover its exposure that it may face increased costs in liquidating positions that experience intraday volatility that is not captured by the start of day volatility charge or the volatility portion of the MRD charge. Therefore, NSCC believes this proposed change is necessary and appropriate in furtherance of the requirements of Section 17A(b)(3)(F) of the Act, which requires that the Rules be designed to assure the safeguarding of securities and funds that are in NSCC's custody or control or which it is responsible.[50]

NSCC believes these proposed change would also support NSCC's compliance with Rule 17Ad-22(e)(4)(i) and Rule 17Ad-22(e)(6)(i) under the Act, which require NSCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to (x) 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; and (y) cover its

---

[49] 15 U.S.C. 78q-1(b)(3)(F).

[50] Id.

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.[51]

As described above, NSCC believes the introduction of the intraday volatility charge would allow NSCC to employ a risk-based methodology that would address the increased risks NSCC may face when intraday volatility changes a Member's portfolio such that the volatility charge and MRD charge collected at the start of the day no longer addresses the risks these positions present to NSCC. Therefore, the proposed change would better limit NSCC's credit exposures to Members, necessary and appropriate in furtherance of the requirements of Rule 17Ad-22(e)(4)(i) and Rule 17Ad-22(e)(6)(i) under the Act.[52]

NSCC believes that the above-described burden on competition that could be created by the proposed change would be appropriate in furtherance of the Act because such change has been appropriately designed to assure the safeguarding of securities and funds which are in the custody or control of NSCC or for which it is responsible, as described in detail above. The proposed intraday volatility charge would also enable NSCC to produce margin levels more commensurate with the risks and particular attributes of each Member's portfolio.

The proposed intraday volatility charge would do this by measuring the change in volatility that impacts Members' adjusted Net Unsettled Positions and could occur intraday. Therefore, because the proposed changes are designed to provide NSCC with

---

51 17 CFR 240.17Ad-22(e)(4)(i), (e)(6)(i).

52 Id.

an appropriate measure of the volatility risks presented by Members' portfolios, NSCC believes the proposal is appropriately designed to meet its risk management goals and its regulatory obligations.

NSCC believes it has designed the proposed changes in an appropriate way in order to meet compliance with its obligations under the Act. Specifically, the proposals would improve the risk-based margining methodology that NSCC employs to set margin requirements and better limit NSCC's credit exposures to its Members. Therefore, as described above, NSCC believes the proposed change is necessary and appropriate in furtherance of NSCC's obligations under the Act, specifically Section 17A(b)(3)(F) of the Act[53] and Rule 17Ad-22(e)(4)(i) and Rule 17Ad-22(e)(6)(i) under the Act.[54]

NSCC does not believe the proposal to eliminate the Intraday Backtesting Charge would impact competition. The proposed rule changes would eliminate this charge from the Rules, such that it would not be applicable to any Members or included in the calculation of any Members' Required Fund Deposits. The proposed changes would not affect NSCC's operations or the rights and obligations of membership. As such, NSCC believes the proposed rule changes would not have any impact on competition.

(C) <u>Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others</u>

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

---

[53] 15 U.S.C. 78q-1(b)(3)(F).

[54] 17 CFR 240.17Ad-22(e)(4)(i), (e)(6)(i).

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

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

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

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

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 e-mail to rule-comments@sec.gov. Please include File Number SR-NSCC-2022-009 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-NSCC-2022-009. 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 (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 website 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 NSCC and on DTCC's website (http://dtcc.com/legal/sec-rule-filings.aspx). All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NSCC-2022-009 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[55]

J. Matthew DeLesDernier
Assistant Secretary

[55] 17 CFR 200.30-3(a)(12).