



NATIONAL
SECURITIES
CLEARING
CORPORATION

RULES & PROCEDURES

TEXT OF PROPOSED RULE CHANGE

and unshaded text indicates proposed added language.

~~and unshaded~~ text indicates proposed deleted language.

and yellow shaded text indicates additional language proposed by this Amendment No. 3.

~~and yellow shaded~~ text indicates deleted language proposed by this Amendment No. 3.

and blue shaded text indicates language added in connection with a separate proposal that has been approved but not yet implemented (SR-NSCC-2021-016).

~~and blue shaded black~~ text indicates language deleted in connection with a separate proposal that has been approved but not yet implemented (SR-NSCC-2021-016).

~~and blue shaded red~~ text indicates proposed deletions to language added in connection with a separate proposal that has been approved but not yet implemented (SR-NSCC-2021-016).

RULE 1. DEFINITIONS AND DESCRIPTIONS

[Changes to this Rule, as amended by File No. SR-NSCC-2022-005, are available at dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. These changes will be implemented on or prior to [insert date 30 Business Days days after date of approval]. The Corporation will issue an important notice when these changes are implemented, and this legend will automatically be removed from this Rule.]

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Equity Capital

The term “Equity Capital” means, as of a particular date, the amount equal to the equity capital as reported on the Member’s or Limited Member’s most recent Consolidated Report of Condition and Income (“Call Report”), or, if the Member or Limited Member is not required to file a Call Report, then as reported on its most recent financial statements or equivalent reporting).

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Excess Net Capital

The term “Excess Net Capital” means a broker-dealer’s excess net capital, calculated in accordance with such broker-dealer’s regulatory and/or statutory requirements.

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Net Capital

The term “Net Capital” means, as of a particular date, the amount equal to the net capital as reported on the Member’s or Limited Member’s most recent Form X-17-A-5 (Financial and Operational Combined Uniform Single (“FOCUS”) Report), or, if the Member or Limited Member is not required to file a FOCUS Report, then as reported on its most recent financial statements or equivalent reporting of a Registered Broker-Dealer as defined in Rule 15c3-1(c)(2) of the Exchange Act, or any successor rule or regulation thereto.

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Volatility Charge

The term “Volatility Charge” means, in respect to a Member, the portion of its Required Fund Deposit calculated by the Corporation by applying Sections I.(A)(1)(a)(i) – (iii) and (2)(a)(i) – (iii) of Procedure XV.

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PROCEDURE XV. CLEARING FUND FORMULA AND OTHER MATTERS

[Changes to this Procedure, as amended by File No. SR-NSCC-2022-005, are available at dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. These changes will be implemented on or prior to [insert date 30 Business Days days after date of approval]. The Corporation will issue an important notice when these changes are implemented, and this legend will automatically be removed from this Procedure.]

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I.(B) Additional Clearing Fund Formula

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(2) Excess Capital Premium

(a) The Corporation shall collect an additional payment (“Excess Capital Premium”) if a Member’s contribution to the Clearing Fund, as computed pursuant to Section I.(A) of this Procedure (but excluding any charges as set forth in Subsections I.(A)(1)(d), (f), (g), and (i); and I.(A)(2)(c), (d), (e), and (g) of this Procedure), plus any amount collected pursuant to 1.(B)(1) above or Rule 15 (such aggregate amount referred to as the “Calculated Amount”) Volatility Charge, when divided by its excess net capital or capital (as applicable), as defined in the membership standards set forth in Addendum B Net Capital, for Members that are broker-dealers, or Equity Capital, for all other Members, is greater than 1.0 (the “Excess Capital Ratio”); then the Corporation may require such Member to deposit, within such timeframe as the Corporation may require, an additional amount (the “Excess Capital Premium”).

(b) An Excess Capital Premium shall be calculated as to the Clearing Fund equal to the product of: (a) the amount by which the Calculated Amount Member’s Volatility Charge exceeds its excess net capital Net Capital or Equity Capital, as applicable or capital (as applicable), as defined in the membership standards set forth in Addendum B, multiplied by (b) its Excess Capital Ratio, which shall be no more than 2.0.

For purposes of calculating an Excess Capital Premium, the Corporation shall use, as applicable, the Net Capital amount reported by a Member on its most recent Form X-17-A-5 (Financial and Operational Combined Uniform Single (“FOCUS”) Report), or the Equity Capital amount reported by a Member on its most recent Consolidated Report of Condition and Income (“Call Report”).⁷ The

⁷ **If a Member is not required to file a FOCUS Report or a Call Report, the Corporation shall use the Net Capital or Equity Capital amount, as applicable, provided on the Member’s most recent**

Corporation may, in its sole discretion, accept an updated Net Capital or Equity Capital amount provided by a Member prior to the issuance of its next applicable financial report for purposes of calculating an Excess Capital Premium.

(c) The Corporation may waive the collection of an Excess Capital Premium of a Member in exigent circumstances when the Corporation, in its sole discretion, observes extreme market conditions or other unexpected changes in factors such as market volatility, trading volumes or other similar factors.

In determining whether it is appropriate to waive the collection of an Excess Capital Premium in such circumstances, the Corporation would review all relevant facts, circumstances and other information available to it at the time of such determination, including the degree to which a Member's capital position and trading activity compare or correlate to the prevailing exigent circumstances and whether the Corporation can effectively address the risk exposure presented by a Member without the collection of the Excess Capital Premium from that Member.

The collection of an Excess Capital Premium may be waived by a Managing Director in the Group Chief Risk Office of the Corporation, and such waiver shall be documented in a written report that is made available upon request to the Member impacted by the waiver.

~~Notwithstanding the foregoing, the Corporation may: (i) collect an amount less than the Excess Capital Premium (including no premium), and (ii) return all or a portion of the Excess Capital Premium if it believes that the imposition or maintenance of the Excess Capital Premium is not necessary or appropriate.⁷~~

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financial statements or equivalent reporting delivered to the Corporation pursuant to Section 2.A of Rule 2B.

⁷ ~~The Corporation has identified the following guidelines or circumstances, which are intended to be illustrative, but not limited, where the premium will not be imposed: (a) where the premium results from charges applied with respect to municipal securities trades settling in CNS, where the member has offsetting compared trades settling on a trade-for-trade basis through DTC; and (b) management will look to see whether the premium results from an unusual or non-recurring circumstance where management believes it would not be appropriate to assess the premium. Examples of such circumstances are a member's late submission of trade data for comparison or trade recording that would otherwise reduce the margined position if timely submitted, or an unexpected haircut or capital charge that does not fundamentally change its risk profile.~~

ADDENDUM B

QUALIFICATIONS AND STANDARDS OF FINANCIAL RESPONSIBILITY,
OPERATIONAL CAPABILITY AND BUSINESS HISTORY

[Changes to this Addendum, as amended by File No. SR-NSCC-2022-005, are available at dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. These changes will be implemented on or prior to [insert date 30 Business Days days after date of approval]. The Corporation will issue an important notice when these changes are implemented, and this legend will automatically be removed from this Addendum.]

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SEC. 1. MEMBERS

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B. Financial Responsibility

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3. **Non-U.S. Broker-Dealers and Banks:**

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(a) an applicant or Member that is a non-U.S. broker-dealer must have and maintain at all times at least \$25 million in ~~equity capital~~ Equity Capital; and

* * *

4. **Securities Exchanges:**

An applicant or Member that is (i) a national securities exchange registered under the Exchange Act and/or (ii) a non-U.S. securities exchange or multilateral trading facility, must have and maintain at all times at least \$100 million in ~~equity capital~~ Equity Capital.

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SEC. 2. MUTUAL FUND/INSURANCE SERVICES MEMBERS

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B. Financial Responsibility

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2. **U.S.** Banks and ~~trust companies~~ **Trust Companies**:

~~have a Tier 1 Risk Based Capital (“RBC”) ratio of 6% or greater or, with respect to trust companies which do~~

An applicant or Mutual Fund/Insurance Services Member that is a U.S. bank or trust company must have at all times a Tier 1 RBC Ratio equal to or greater than the Tier 1 RBC Ratio that would be required for such Mutual Fund/Insurance Services Member to be Well Capitalized.

Notwithstanding the preceding sentence, an applicant or Mutual Fund/Insurance Services Member that is a U.S. trust company that does not calculate a Tier 1 RBC ~~ratio, Ratio must~~ have **at all times** at least \$2 million in ~~E~~equity ~~C~~apital.

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SEC. 3. FUND MEMBERS

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B. Financial Responsibility

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2. **U.S.** Banks ~~or trust companies and~~ **Trust Companies**:

An applicant or Fund Member that is a U.S. bank or trust company must have at all times a Tier 1 Risk Based Capital (“RBC”) ratio of 6% RBC Ratio equal to or greater or, with respect to than the Tier 1 RBC Ratio that would be required for such Fund Member to be Well Capitalized.

Notwithstanding the preceding sentence, an applicant or Fund Member that is a U.S. trust companies company that dedoes not calculate a Tier 1 RBC ~~ratio, Ratio must~~ have **at all times** at least \$2 million in ~~E~~equity ~~C~~apital.

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