

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 18	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2014 - * 802	Amendment No. (req. for Amendments *)
Filing by National Securities Clearing Corporation Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934				
Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>
			Section 19(b)(3)(B) * <input type="checkbox"/>	
			Rule	
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(6)
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934	
Section 806(e)(1) * <input checked="" type="checkbox"/>		Section 806(e)(2) * <input type="checkbox"/>	Section 3C(b)(2) * <input type="checkbox"/>	
Exhibit 2 Sent As Paper Document <input type="checkbox"/>		Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
Description				
Provide a brief description of the action (limit 250 characters, required when Initial is checked *).				
<input margining="" model."="" type="text" value="NSCC proposes to enhance its existing parametric Value-at-Risk (" var")=""/>				
Contact Information				
Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.				
First Name *	<input type="text" value="Jacqueline"/>	Last Name *	<input type="text" value="Farinella"/>	
Title *	<input type="text" value="Director and Senior Associate Counsel"/>			
E-mail *	<input type="text" value="jfarinella@dtcc.com"/>			
Telephone *	<input type="text" value="(212) 855-3216"/>	Fax	<input type="text"/>	
Signature				
Pursuant to the requirements of the Securities Exchange Act of 1934,				
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.				
(Title *)				
Date	<input type="text" value="03/28/2014"/>	<input type="text" value="Managing Director and General Counsel"/>		
By	<input type="text" value="Larry E. Thomposon"/>	<input type="text"/>		
(Name *)				
NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.				
<input type="button" value="Persona Not Validated - 1387901582264."/>				

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

Add Remove View

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Advance Notice

(a) This advance notice is filed by National Securities Clearing Corporation (“NSCC”) in connection with an adjustment to NSCC’s existing parametric Value-at-Risk (“VaR”) margining model. The proposed enhancement to the model is described in detail in below.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

(a) The proposed enhancement was approved by the Risk Committee of the Board of Directors of NSCC at a meeting duly called and held on February 26, 2014.

3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Advance Notice

(a) In connection with its on-going assessment of the performance of its margining models, NSCC is proposing to enhance its existing parametric VaR model by supplementing the assumption of normal distribution underlying the current model with a family of Student’s t-distributions. Currently, NSCC’s parametric VaR methodology is based on the assumption that the underlying securities portfolio return distribution is normal. In an effort to enhance its parametric VaR model, NSCC has reviewed prevalent academic research and data analyses which show that the empirical distributions of securities portfolio returns in the equities markets have “fatter tails” than what the normal distribution implies, and VaR margin computed based only on the normality assumption may underestimate the tail risk that is observed during market volatility (“fat-tail” risk).

NSCC has evaluated a number of possible approaches to enhance its parametric VaR model in order to better accommodate fat-tail risks, and is proposing to apply an approach that is most appropriate for NSCC and its circumstances. As such, the proposed enhancement would utilize NSCC’s existing parametric VaR model, and would supplement the normal distribution underlying the model with a factor that utilizes the degrees of freedom (“DOF”) derived from a family of Student’s t-distributions. The factor will help adjust the normal-based VaR model to better reflect the distribution of actual observed historical returns. Further, the existing normal distribution in the parametric VaR model will operate as a floor to the proposed adjustments.

(b) The proposed change is being filed pursuant to Section 806(e)(1) of Title VIII of the Dodd–Frank Wall Street Reform and Consumer Protection Act (“Act”), and is consistent with Rule 17Ad-22(b)(2), promulgated thereunder, which requires a registered clearing agency to “use margin requirements to limit its credit exposures to participants under normal market conditions and use risk-based models and parameters to set margin requirements.”¹ Specifically, the adjustment is expected to allow NSCC’s parametric

¹ 17 CFR 240.17Ad-22(b)(2).

VaR model to remain above its 99% coverage target during market volatility, and to more appropriately calculate and collect margin, which better enables NSCC to respond in the event that a Member defaults and minimizes potential losses to NSCC and its non-defaulting Members. As such, NSCC believes that the proposal promotes robust risk management and the safety and soundness of NSCC's operations, which reduce systemic risk and support the stability of the broader financial system, consistent with the requirements of Rule 17Ad-22(b)(2), cited above.

4. Self-Regulatory Organization's Statement on Burden on Competition

Not applicable.

5. Self-Regulatory Organization's Statement on Comments on the Advance Notice Received from Members, Members, or Others

In November 2013, NSCC distributed a White Paper to its Members that described the proposed enhancement to the parametric VaR model and the results of an impact study showing the potential impact of this proposal on Members' Clearing Fund required deposits. NSCC did not receive any written comments relating to the enhancement to the parametric VaR model in response to this White Paper. NSCC will notify the Commission of any written comments received by NSCC.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notice Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Description of Change

(i) Overview

A primary objective of NSCC's Clearing Fund is to have on deposit from each applicable Member assets sufficient to satisfy losses that may otherwise be incurred by

NSCC as the result of the default of the Member and the resultant close out of that Member's unsettled positions under NSCC's trade guaranty. Each Member's Clearing Fund required deposit is calculated daily pursuant to a formula set forth in Procedure XV of the NSCC's Rules and Procedures ("Rules") designed to provide sufficient funds to cover this risk of loss. The Clearing Fund formula accounts for a variety of risk factors through the application of a number of components, each described in Procedure XV. The VaR component is a core component of this formula and is designed to calculate the amount of money that may be lost on a portfolio over a given period of time assumed necessary to liquidate the portfolio, within a given level of confidence.

Parametric VaR models utilized in the equities markets have historically computed risk on the assumption that the underlying securities portfolio return distribution is normal. The increased frequency of market volatility in recent years has stressed the performance of parametric VaR models throughout the financial services industry. Analyses of these events and VaR models have shown that "fat-tail" risk may not be properly addressed by parametric VaR models that are based only on the normal distribution assumption. As such, it has become market practice to move away from the use of normal distribution assumptions in parametric VaR models and to instead use distributions, such as Student's t-distributions, that better accommodate these fat-tail risk events.

NSCC conducts back tests to measure the performance of Members' portfolios against the calculated VaR margin requirements for those portfolios. Over the past few years, these back tests have shown that, while NSCC's VaR margin component has remained mostly above its 99% coverage target when tested over a longer time horizon (a 12-month rolling window), coverage fell below the 99% target in a few instances in which back tests were conducted over shorter time frames (1-month windows). Therefore, and in connection with its on-going assessment of the performance of its margining models, NSCC has evaluated various possible approaches to enhance its parametric VaR model, and is proposing to apply an approach that incorporates Student's t-distributions into that model in a way that is appropriate for NSCC and its circumstances.

The proposal would enhance NSCC's existing parametric VaR model, which is used as part of the calculation of the VaR component, by supplementing the assumption of normal distribution underlying the current model with a factor that utilizes the DOF derived from a family of Student's t-distributions. The proposal is expected to improve NSCC's back-testing performance over shorter time horizons, particularly during more volatile market environments, and should enable the model to better account for the higher degree of fat-tail risk observed in equities markets.

(ii) Enhancement to Existing Parametric VaR Model

The proposed enhancement would utilize NSCC's current parametric VaR model, and would supplement the current normal distribution underlying the parametric VaR model with a factor that utilizes the DOF derived from a family of Student's t-distributions, which are more representative of the historically observed distributions in

the equities markets. The Student's t-distributions would introduce an additional statistical parameter, the DOF factor, to the model. Following this enhancement, NSCC would estimate the DOF factor of the empirical t-distribution in the model periodically by using daily return data from the S&P 500 over a historical window no shorter than 12-months. NSCC would then compute a multiplication factor that represents the magnitude of increase of t-distribution-based parametric VaR from the normal-based parametric VaR. This multiplication factor would be applied to Members' VaR margin requirement.

NSCC has considered various alternatives to enhance its parametric VaR model, and its internal studies have shown that this proposed enhancement is an appropriate approach to addressing tail risks at NSCC, and may be a more effective enhancement to the model than other possible adjustments, including the augmented volatility model (AVM), which NSCC has also considered. In 2012, NSCC designed AVM to protect NSCC from elevated levels of volatility that were not captured in historical data by incorporating the CBOE VIX, a forward-looking measure of volatility, into the model. While both this proposal and AVM would improve NSCC's ability to meet its back-testing coverage target, the proposed enhancement to NSCC's parametric VaR model described in this filing is expected to be a more stable adjustment to Members' VaR margin components than AVM, while still improving the model's back-test performances.

Anticipated Effect on and Management of Risks

NSCC believes that the proposed enhancement to its current parametric VaR model would improve NSCC's risk management by enabling the model to remain above its 99% coverage target during market volatility, and to more appropriately calculate and collect margin, which better enables NSCC to respond in the event that a Member defaults. Further, incorporation of the DOF factor into NSCC's existing parametric VaR model should more accurately capture the fat-tail characteristics of stock market return distributions.

Additionally, NSCC has conducted extended outreach with its Members regarding the proposed enhancement, describing the proposed change, the reasoning for the change, and the potential impact of the change – both the expected impact on Members' Clearing Fund required deposits as well as the improvement to NSCC's risk management. This outreach included the publication of a White Paper to impacted Members in November 2013 as well as individual outreach to Members to discuss the results of impact studies. The proposed enhancement is expected to have a relatively low impact on Members' VaR margin components and thus a minimal impact on Members' overall Clearing Fund required deposits. NSCC did not receive any objections to the proposed change from Members in response to this outreach.

NSCC believes that the proposed change should allow it to collect margin that covers to a greater degree of certainty the risk that it may face during market volatility or even extreme market environments. While this change would impact NSCC's Members' Clearing Fund requirements, as stated above, NSCC's Members are aware of the proposed change and the potential impact on their Clearing Fund required deposits.

Further, prior to implementation of the proposed changes, NSCC will run a parallel period during which Members would be able to further review the possible impact.

Accelerated Commission Action Requested

Pursuant to Section 806(e)(1)(I) of Title VIII of the Act,² NSCC requests that the Commission notify NSCC that it has no objection to the proposed enhancement to its current parametric VaR model as soon as practical. Approval of the proposed change as soon as practical will assist NSCC in improving its risk management by more appropriately calculating and collecting margin, which better enables NSCC to respond in the event that a Member defaults and to limit its and its Members' exposure to loss.

11. Exhibits

Exhibit 1 – Not applicable

Exhibit 1A – Notice of advance notice for publication in the Federal Register

Exhibit 2 – Not applicable

Exhibit 3 – Not applicable

Exhibit 4 – Not applicable

Exhibit 5 – Not applicable

² 12 U.S.C. 5465(e)(1)(I).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the National Securities Clearing Corporation has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

NATIONAL SECURITIES CLEARING CORPORATION

By: /s/ Larry Thompson
Larry Thompson
General Counsel

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[_____]; File No. SR-NSCC-2014-802

[DATE]

Self-Regulatory Organizations; National Securities Clearing Corporation; Advance Notice Relating to an Enhancement to NSCC's Existing Parametric Value-at-Risk ("VaR") Margining Model

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 March __, 2014, National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") the advance notice as described in Item I, II and III below, which Items have been prepared primarily 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 Advance Notice

The advance notice is filed by NSCC in connection with a proposed adjustment to NSCC's existing parametric Value-at-Risk ("VaR") margining model, as more fully described below.

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Advance Notice

In its filing with the Commission, NSCC included statements concerning the purpose of and basis for the advance notice and discussed any comments it received on the advance notice. The text of these statements may be examined at the places specified

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

in Item IV below. NSCC 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 Advance Notice

1. Purpose

In connection with its on-going assessment of the performance of its margining models, NSCC is proposing to enhance its existing parametric VaR model by supplementing the assumption of normal distribution underlying the current model with a family of Student's t-distributions. Currently, NSCC's parametric VaR methodology is based on the assumption that the underlying securities portfolio return distribution is normal. In an effort to enhance its parametric VaR model, NSCC has reviewed prevalent academic research and data analyses which show that the empirical distributions of securities portfolio returns in the equities markets have "fatter tails" than what the normal distribution implies, and VaR margin computed based only on the normality assumption may underestimate the tail risk that is observed during market volatility ("fat-tail" risk).

NSCC has evaluated a number of possible approaches to enhance its parametric VaR model in order to better accommodate fat-tail risks, and is proposing to apply an approach that is most appropriate for NSCC and its circumstances. As such, the proposed enhancement would utilize NSCC's existing parametric VaR model, and would supplement the normal distribution underlying the model with a factor that utilizes the degrees of freedom ("DOF") derived from a family of Student's t-distributions. The factor will help adjust the normal-based VaR model to better reflect the distribution of actual observed historical returns. Further, the existing normal distribution in the parametric VaR model will operate as a floor to the proposed adjustments.

2. Statutory Basis

The proposed change is being filed pursuant to Section 806(e)(1) of Title VIII of the Dodd–Frank Wall Street Reform and Consumer Protection Act, and is consistent with Rule 17Ad-22(b)(2), promulgated thereunder, which requires a registered clearing agency to “use margin requirements to limit its credit exposures to participants under normal market conditions and use risk-based models and parameters to set margin requirements.”³ Specifically, the adjustment is expected to allow NSCC’s parametric VaR model to remain above its 99% coverage target during market volatility, and to more appropriately calculate and collect margin, which better enables NSCC to respond in the event that a Member defaults and minimizes potential losses to NSCC and its non-defaulting Members. As such, NSCC believes that the proposal promotes robust risk management and the safety and soundness of NSCC’s operations, which reduce systemic risk and support the stability of the broader financial system, consistent with the requirements of Rule 17Ad-22(b)(2), cited above.

(B) Clearing Agency’s Statement on Comments on the Advance Notice Received from Members, Participants, or Others

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³ 17 CFR 240.17Ad-22.

(C) Advance Notice Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Description of Change

(i) Overview

A primary objective of NSCC's Clearing Fund is to have on deposit from each applicable Member assets sufficient to satisfy losses that may otherwise be incurred by NSCC as the result of the default of the Member and the resultant close out of that Member's unsettled positions under NSCC's trade guaranty. Each Member's Clearing Fund required deposit is calculated daily pursuant to a formula set forth in Procedure XV of the NSCC's Rules and Procedures ("Rules") designed to provide sufficient funds to cover this risk of loss. The Clearing Fund formula accounts for a variety of risk factors through the application of a number of components, each described in Procedure XV. The VaR component is a core component of this formula and is designed to calculate the amount of money that may be lost on a portfolio over a given period of time assumed necessary to liquidate the portfolio, within a given level of confidence.

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III. Date of Effectiveness of the Advance Notice, and Timing for Commission Action

The proposed change may be implemented if the Commission does not object to the proposed change within 60 days of the later of (i) the date that the proposed change was filed with the Commission or (ii) the date that any additional information requested by the Commission is received. NSCC shall not implement the proposed change if the Commission has any objection to the proposed change.

The Commission may extend the period for review by an additional 60 days if the proposed change raises novel or complex issues, subject to the Commission or the Board of Governors of the Federal Reserve System providing NSCC with prompt written notice of the extension. A proposed change may be implemented in less than 60 days from the date the advance notice is filed, or the date further information requested by the Commission is received, if the Commission notifies NSCC in writing that it does not object to the proposed change and authorizes NSCC to implement the proposed change on an earlier date, subject to any conditions imposed by the Commission.

NSCC shall post notice on its website of proposed changes that are implemented.

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-2014-802 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NSCC-2014-802. 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 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of NSCC and on NSCC's website (<http://www.dtcc.com>). All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NSCC-2014-802 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.⁴

Elizabeth M. Murphy
Secretary

⁴ 17 CFR 200.30-3(a)(12).