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 SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72131; File No. SR-NSCC-2014-805]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and No Objection to Advance Notice To Renew NSCC's Existing Credit Facility

May 8, 2014.

Pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, entitled the Payment, Clearing, and Settlement Supervision Act of 2010 ("Clearing Supervision Act") \1\ and Rule 19b-4(n)(1)(i) under the Securities Exchange Act of 1934,\2\ notice is hereby given that on April 21, 2014, National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") advance notice SR-NSCC-2014-805 ("Advance Notice") as described in Items I, II and III below, which Items have been prepared primarily by NSCC. The Commission is publishing this notice to solicit comments on the Advance Notice from interested persons and provide notice that the Commission does not object to the Advance Notice.

 \1\ 12 U.S.C. 5465(e)(1).
 \2\ 17 CFR 240.19b-4(n)(1)(i).

I. Clearing Agency's Statement of the Terms of Substance of the Advance Notice

NSCC is renewing its 364-day syndicated revolving credit facility ("Renewal"), 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 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

As part of its liquidity risk management regime, NSCC maintains a 364-day committed revolving line of credit with a syndicate of commercial lenders which is renewed every year.

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The terms and conditions of the current Renewal will be specified in the Thirteenth Amended and Restated Revolving Credit Agreement, to be dated as of May 13, 2014 ("Renewal Agreement"), among The Depository Trust Company ("DTC"), National Securities Clearing Corporation,\3\ the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent, and are substantially the same as the terms and conditions of the existing credit agreement, dated as of May 14, 2013 ("Existing Agreement"),\4\ among the same parties. The substantive terms of the Renewal are set forth in the Summary of Indicative Principal Terms and Conditions, dated March 17, 2014, which is not a public document. The aggregate commitments being sought under the Renewal will be for an amount of up to \$15 billion for NSCC and DTC together, of which all but \$1.9 billion aggregate commitments would be the commitments to NSCC as borrower, as provided in the Existing Agreement.

 \3\ The Renewal Agreement will provide for both DTC and NSCC as borrowers, with an aggregate commitment of \$1.9 billion for DTC and the amount of any excess aggregate commitment for NSCC. The borrowers are not jointly and severally liable and each lender has a ratable commitment to each borrower. DTC and NSCC have separate collateral to secure their separate borrowings.

\4\ Last year, the Commission published notice of no objection to NSCC's advance notice filing with respect to NSCC's renewal beginning on May 14, 2013. See Release No. 34-69557 (May 10, 2013), 78 FR 28936 (May 16, 2013) (SR-NSCC-2013-803).

This agreement and its substantially similar predecessor agreements

have been in place since the introduction of same day funds settlement at NSCC. NSCC requires same-day liquidity resources to cover the failure-to-settle of its largest Member or affiliated family of Members. If a Member defaults on its end of day settlement obligations, NSCC may borrow under the line to enable it, if necessary, to fund settlement among non-defaulting Members. Any borrowing would be secured principally by (i) securities deposited by Members in NSCC's Clearing Fund (i.e., the Eligible Clearing Fund Securities, as defined in NSCC's Rule 4, pledged by Members to NSCC in lieu of cash Clearing Fund deposits), and (ii) securities cleared through NSCC's Continuous Net Settlement System (CNS) that were intended for delivery to the defaulting Member upon payment of its net settlement obligation. NSCC's Clearing Fund (which operates as its default fund) addresses potential exposure through a number of risk-based component charges calculated and assessed daily. As integral parts of NSCC's risk management structure, the line of credit and the Clearing Fund, together, provide NSCC liquidity to complete end-of-day money settlement.

NSCC's Clearing Fund now includes additional liquidity deposits by certain Members pursuant to NSCC's newly implemented Supplemental Liquidity Deposit rule (new Rule 4(A)). On December 5, 2013, the Commission approved rule filing SR-NSCC-2013-02, as amended on April 19, 2013, June 11, 2013, and on October 4 and 7, 2013 creating new Rule 4(A). See Release No. 34-70999 (Dec. 5, 2013), 78 FR 75413 (Dec. 11, 2013) (SR-NSCC-2013-02).

2. Statutory Basis

The Renewal is consistent with Section 805(b) of the Clearing Supervision Act and with Commission Rule 17Ad-22(d)(11) (regarding default procedures) because it mitigates liquidity risk.

12 U.S.C. 5461(b). The Financial Stability Oversight Council ('FSOC') designated NSCC a systemically important financial market utility ('SIFMU') on July 18, 2012. See FSOC 2012 Annual Report, Appendix A, <http://www.treasury.gov/initiatives/fsoc/Documents/2012%20Annual%20Report.pdf> ('FSOC Designation'). Therefore, NSCC is required to comply with the Clearing Supervision Act.

17 CFR 240.17Ad-22(d)(11).

B. Clearing Agency's Statement on Comments on the Advance Notice Received From Members, Participants, or Others

Written comments on the Advance Notice have not yet been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

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

1. Description of Change

The terms and conditions to be specified in the Renewal Agreement are substantially the same as the terms and conditions specified in the Existing Agreement, except that, in order to help protect against concentration risk, an enhancement is being added for a back-up Administrative Agent and Collateral Agent in case the primary Administrative Agent and Collateral Agent is unable to perform its obligations.

2. Anticipated Effect on and Management of Risks

As noted, the committed revolving line of credit is a cornerstone of NSCC risk management and this Renewal is critical to the NSCC risk management infrastructure. The Renewal does not otherwise affect or alter the management of risk at NSCC.

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 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 Web site 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 Advance Notice is consistent with the Clearing Supervision 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 email to rule-comments@sec.gov. Please include
File No. SR-NSCC-2014-805 on the subject line.

Paper Comments

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

All submissions should refer to File No. SR-NSCC-2014-805. This file
number should be included on the subject line if email 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 Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the

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submission, all subsequent amendments, all written statements with
respect to the Advance Notice that are filed with the Commission, and
all written communications relating to the Advance Notice 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 Web site 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 NSCC's Web site at <http://dtcc.com/en/legal/sec-rule-filings.aspx>.

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 No. SR-NSCC-2014-805 and
should be submitted on or before June 4, 2014

V. Commission Findings and Notice of No Objection

Although the Clearing Supervision Act does not specify a standard
of review for advance notices, the Commission believes that the stated
purpose of the Clearing Supervision Act is instructive.\8\ The stated
purpose is to mitigate systemic risk in the financial system and
promote financial stability by, among other things, promoting uniform
risk management standards for SIFMUs.\9\

\8\ 12 U.S.C. 5461(b).
\9\ Id.

Section 805(a)(2) of the Clearing Supervision Act authorizes the
Commission to prescribe risk management standards for the payment,
clearing, and settlement activities of designated clearing entities and
financial institutions engaged in designated activities for which it is
the supervisory agency or the appropriate financial regulator.\10\
Section 805(b) of the Clearing Supervision Act states that the
objectives and principles for the risk management standards prescribed
under Section 805(a) shall be to:

\10\ 12 U.S.C. 5464(a)(2).

Promote robust risk management;
promote safety and soundness;
reduce systemic risks; and
support the stability of the broader financial system.\11\

\11\ 12 U.S.C. 5464(b).

The Commission adopted risk management standards under Section
805(a)(2) of the Clearing Supervision Act on October 22, 2012
(``Clearing Agency Standards'').\12\ The Clearing Agency Standards
became effective on January 2, 2013 and require registered clearing
agencies to establish, implement, maintain, and enforce written
policies and procedures that are reasonably designed to meet certain
minimum requirements for their operations and risk management practices
on an ongoing basis.\13\ As such, it is appropriate for the Commission
to review advance notices against the objectives and principles for
risk management standards as described in Section 805(b) of the
Clearing Supervision Act,\14\ as well as the applicable Clearing Agency
Standards promulgated under Section 805(a) of the Clearing Supervision
Act.\15\

\12\ Release No. 34-68080 (Oct. 22, 2012), 77 FR 66219 (Nov. 2,
2012).

\13\ The Clearing Agency Standards are substantially similar to
the risk management standards established by the Board of Governors
of the Federal Reserve System governing the operations of SIFMUs
that are not clearing entities and financial institutions engaged in

designated activities for which the Commission or the Commodity Futures Trading Commission is the Supervisory Agency. See Financial Market Utilities, 77 FR 45907 (Aug. 2, 2012).

\14\ See 12 U.S.C. 5464(b).

\15\ See 12 U.S.C. 5464(a).

 The Advance Notice is a proposal to enter into a renewed credit facility, as described above, which is designed to help mitigate the risk that NSCC would be unable to meet payment or settlement obligations in the event of a Member default. Consistent with Section 805(b) of the Clearing Supervision Act,\16\ the Commission believes the proposal promotes robust risk management, as well as the safety and soundness of NSCC's operations, while reducing systemic risks and supporting the stability of the broader financial system, by providing a readily available source of liquidity for NSCC.

\16\ See 12 U.S.C. 5464(b).

 Additionally, Commission Rule 17Ad-22(d)(11),\17\ adopted as part of the Clearing Agency Standards,\18\ requires that registered clearing agencies ``establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable . . . establish default procedures that ensure that the clearing agency can take timely action to contain losses and liquidity pressures and to continue meeting its obligations in the event of a participant default.'' \19\ Here, as described above, the renewed credit facility will help NSCC continue to meet its respective obligations in a timely fashion in the event of a Member default, thereby helping to contain losses and liquidity pressures from that default.

\17\ 17 CFR 240.17Ad-22(d)(11).

\18\ Release No. 34-68080 (Oct. 22, 2012), 77 FR 66219 (Nov. 2, 2012).

\19\ 17 CFR 240.17Ad-22(d)(11).

 Finally, Commission Rule 17Ad-22(b)(3),\20\ also adopted as part of the Clearing Agency Standards,\21\ requires a central counterparty (``CCP''), like NSCC,\22\ to ``establish, implement, maintain and enforce written policies and procedures reasonably designed to . . . [m]aintain sufficient financial resources to withstand, at a minimum, a default by the participant family to which it has the largest exposure in extreme but plausible market conditions. . . .'' \23\ Here, as described above, NSCC's proposal to enter into a renewed credit facility will help it maintain sufficient financial resources to withstand, at a minimum, a default by an NSCC Member to which NSCC has the largest exposure.

\20\ 17 CFR 240.17Ad-22(b)(3).

\21\ Release No. 34-68080 (Oct. 22, 2012), 77 FR 66219 (Nov. 2, 2012).

\22\ See FSOC Designation, supra note 6.

\23\ 17 CFR 240.17Ad-22(b)(3).

 As described in Item III above, Section 806(e)(1)(G) of the Clearing Supervision Act provides that a designated SIFMU may implement a change contained in an advance notice if it has not received an objection to the proposed change within the applicable 60 day period.\24\ However, Section 806(e)(1)(I) of the Clearing Supervision Act allows the Commission to issue a non-objection prior to the 60th day.\25\ If the Commission chooses to issue no objection prior to the 60th day, it must notify the SIFMU in writing that it does not object and authorize implementation of the change on an earlier date.\26\ If the Commission chooses to object prior to the 60th day, it must similarly notify the SIFMU.\27\

\24\ See 12 U.S.C. 5465(e)(1)(G).

\25\ 12 U.S.C. 5465(e)(1)(I).

\26\ Id.

\27\ 12. U.S.C. 5465(e)(1)(E).

 In its filing with the Commission, NSCC requested that the Commission notify NSCC, under Section 806(e)(1)(I) of the Clearing Supervision Act, that the Commission has no objection to the Advance Notice no later than Thursday, May 8, 2014, three business days before the existing credit facility is set to expire on Tuesday, May 13, 2014, to ensure that there is no period of time that NSCC operates without a credit facility.

For the reasons stated above, the Commission does not object to the Advance Notice.

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VI. Conclusion

It is therefore noticed, pursuant to Section 806(e)(1)(I) of the

Clearing Supervision Act,\28\ that the Commission does not object to the change described in advance notice SR-NSCC-2014-805 and that NSCC be and hereby is authorized to implement the change as of the date of this notice.

\28\ 12 U.S.C. 5465(e)(1)(I).

By the Commission.
Kevin M. O'Neill,
Deputy Secretary.
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