

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="41"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2018"/> - * <input type="text" value="009"/>
Amendment No. (req. for Amendments *) <input type="text"/>		

Filing by The Depository Trust Company  
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 checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
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)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" 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 type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input checked="" type="checkbox"/>	Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/>
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**Description**  
Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

**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 \*  Last Name \*   
 Title \*   
 E-mail \*   
 Telephone \*  Fax

**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    
 By    
 (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.

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 \***

Add Remove View

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**

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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 Proposed Rule Change**

(a) The proposed rule change of The Depository Trust Company (“DTC”) is provided hereto as Exhibit 5 and would amend the Clearing Agency Stress Testing Framework (Market Risk) (“Stress Testing Framework”), Clearing Agency Liquidity Risk Management Framework (“Liquidity Risk Management Framework”), Clearing Agency Model Risk Management Framework (“Model Risk Management Framework”), Clearing Agency Operational Risk Management Framework (“Operational Risk Management Framework”), Clearing Agency Risk Management Framework (“Risk Management Framework”), Clearing Agency Securities Valuation Framework (“Securities Valuation Framework”), Clearing Agency Policy on Capital Requirements (“Capital Policy”), and Clearing Agency Capital Replenishment Plan (“Capital Replenishment Plan,” and, together with the Stress Testing Framework, Liquidity Risk Management Framework, Model Risk Management Framework, Operational Risk Management Framework, Risk Management Framework, Securities Valuation Framework and Capital Policy, the “Clearing Agency Frameworks” or “Frameworks”) of DTC and its affiliates, National Securities Clearing Corporation (“NSCC”) and Fixed Income Clearing Corporation (“FICC,” and together with DTC and NSCC, the “Clearing Agencies”).

Specifically, the proposed rule change would (1) amend each of the Clearing Agency Frameworks to incorporate and align with an existing delegation of authority to the General Counsel and Deputy General Counsels of the Clearing Agencies to approve certain changes to the Clearing Agency Frameworks; (2) revise the identification of the individuals who own and manage the Frameworks, where applicable; (3) make further corrections and clarifications to the Stress Testing Framework, including revisions to the description of responsibilities of certain groups and expansion of reverse stress testing analyses, as further described below; and (4) correct the description of an assumption underlying a stress scenario in the Liquidity Risk Management Framework, as further described below.

(b) Not applicable.

(c) Not applicable.

## **2. Procedures of the Self-Regulatory Organization**

The delegation of authority to the General Counsel and Deputy General Counsels of the Clearing Agencies to approve certain proposed rule changes and the related regulatory filings, described herein, was approved by the Board of Directors of each of the Clearing Agencies (collectively, “Boards”) at a meeting duly called and held on December 20, 2017. The proposed change to the Frameworks to provide for this delegation of authority was approved by the Boards at a meeting duly called and held on April 17, 2018. The other proposed rule changes described herein were approved by a Deputy General Counsel of the Clearing Agencies pursuant to such delegated authority.

### **3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

#### **(a) Purpose**

The Clearing Agencies adopted the Clearing Agency Frameworks<sup>1</sup> in order to set forth the manner in which each of the Clearing Agencies addresses certain risks as required by Rule 17Ad-22(e) under the Securities Exchange Act of 1934 (“Act”),<sup>2</sup> as described in the Initial Filings. In addition to setting forth the manner in which each of the Clearing Agencies addresses the requirements of Rule 17Ad-22(e), each Framework also contains a section titled “Framework Ownership and Change Management” that, among other matters, identifies the title of the individual or group who owns and is responsible for managing the Framework and describes the required governance process for review and approval of changes to the Framework.

The Clearing Agencies are proposing to (1) amend each of the Clearing Agency Frameworks in order to align with an existing delegation of authority to the General Counsel and Deputy General Counsels of the Clearing Agencies to approve certain changes to the Clearing Agency Frameworks; (2) revise the identification of the individuals who own and manage the Frameworks, where applicable; (3) make further corrections and clarifications to the Stress Testing Framework, including revisions to the description of responsibilities of certain groups and expansion of the reverse stress testing analyses, as further described below; and (4) correct the description of an assumption underlying a stress scenario in the Liquidity Risk Management Framework, as further described below.

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<sup>1</sup> See Securities Exchange Act Release Nos. 82368 (December 19, 2017), 82 FR 61082 (December 26, 2017) (SR-DTC-2017-005; SR-FICC-2017-009; SR-NSCC-2017-006) (Stress Testing Framework); 82377 (December 21, 2017), 82 FR 61617 (December 28, 2017) (SR-DTC-2017-004; SR-NSCC-2017-005; SR-FICC-2017-008) (Liquidity Risk Management Framework); 81485 (August 25, 2017), 82 FR 41433 (August 31, 2017) (SR-DTC-2017-008; SR-FICC-2017-014; SR-NSCC-2017-008) (Model Risk Management Framework); 81745 (September 28, 2017), 82 FR 46332 (October 4, 2017) (SR-DTC-2017-014; SR-NSCC-2017-013; SR-FICC-2017-017) (Operational Risk Management Framework); 81635 (September 15, 2017), 82 FR 44224 (September 21, 2017) (SR-DTC-2017-013; SR-NSCC-2017-012; SR-FICC-2017-016) (Risk Management Framework); 82006 (November 2, 2017), 82 FR 51892 (November 8, 2017) (SR-DTC-2017-016; SR-NSCC-2017-016; SR-FICC-2017-020) (Securities Valuation Framework); 81105 (July 7, 2017), 82 FR 32399 (July 13, 2017) (SR-DTC-2017-003, SR-FICC-2017-007, SR-NSCC-2017-004) (Capital Policy and Capital Replenishment Plan) (each, an “Initial Filing” and collectively, “Initial Filings”).

<sup>2</sup> 17 CFR 240.17Ad-22(e).

*i. Proposed Amendments Regarding Delegation of Authority for Change Management*

Currently, most of the Clearing Agency Frameworks (with the exception of the Capital Policy and Capital Replenishment Plan) include a statement within the “Framework Ownership and Change Management” section that any change to the Framework must be approved by the Boards, or such committees as may be delegated authority by the Boards from time to time pursuant to their charters. The Capital Policy and Capital Replenishment Plan each provide that “routine” changes to these documents be approved by the DTCC Treasury Group,<sup>3</sup> which owns these documents, and that “material” changes to these documents be approved by the Boards, or such committees as may be delegated authority by the Boards from time to time pursuant to their charters.

The Boards have delegated to the General Counsel and the Deputy General Counsels of the Clearing Agencies the authority to approve certain proposed rule changes of the Clearing Agencies and the filings with respect to such proposed rule changes required by Rule 19b-4 under the Act.<sup>4</sup> Specifically, the Boards have delegated to the General Counsel and Deputy General Counsels of the Clearing Agencies authority to approve (1) proposed rule changes that may be filed pursuant to Section 19(b)(3)(A) of the Act,<sup>5</sup> (2) proposed rule changes that constitute clarifications, corrections or minor changes in the rules of the Clearing Agencies but that will not be filed pursuant to Section 19(b)(3)(A) of the Act,<sup>6</sup> in each case, other than any rule change where the aggregate annual fees generated as a result of such rule change are anticipated to be more than \$1,000,000 at the time of the filing, and (3) all proposed changes that are subject to an advance notice as required by Rule 19b-4(n) under the Act<sup>7</sup> but do not constitute a change to the rules of Clearing Agencies.

Therefore, the statement within the “Framework Ownership and Change Management” section of the Clearing Agency Frameworks that the Boards or committees of the Board must approve changes to the Clearing Agency Frameworks is inconsistent with these existing delegations of approval authority. As such, the Clearing Agencies are proposing to amend each

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<sup>3</sup> The parent company of the Clearing Agencies is The Depository Trust & Clearing Corporation (“DTCC”). DTCC operates on a shared services model with respect to the Clearing Agencies and its other subsidiaries. Most corporate functions are established and managed on an enterprise-wide basis pursuant to intercompany agreements under which it is generally DTCC that provides a relevant service to a subsidiary, including the Clearing Agencies.

<sup>4</sup> 17 CFR 240.19b-4.

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>6</sup> Id.

<sup>7</sup> 17 CFR 240.19b-4(n).

of the Clearing Agency Frameworks to clarify that changes to the Clearing Agency Frameworks may be approved by (1) the Boards, (2) such Board committees as may be delegated authority by the Boards from time to time pursuant to their charters, or (3), with respect to certain changes, the General Counsel or Deputy General Counsels of the Clearing Agencies, pursuant to authority delegated by the Boards and with the advice and direction of the Framework owner.

The proposed change would make the Clearing Agency Frameworks consistent with existing internal delegations of authority and would also facilitate expedited review and approval of changes that may not require the review and approval of the Boards or committees of the Boards.

*ii. Proposed Revision to the Identification of the Clearing Agency Frameworks' Owners*

The "Framework Ownership and Change Management" section in most of the Clearing Agency Frameworks (with the exception of the Capital Policy and the Capital Replenishment Plan)<sup>8</sup> also identifies the individual who owns and manages that Framework. Currently, each of the Frameworks identifies the title of that individual. The Clearing Agencies are proposing to revise each of the Clearing Agency Frameworks to remove the title of that individual and instead provide that the individual who owns and manages the Framework is an officer within the applicable business group. The proposed change would permit the Clearing Agencies to change the title of the individual who owns and manages the Clearing Agency Frameworks, so long as that individual is an officer of the Clearing Agencies.

*iii. Proposed Revisions to Stress Testing Framework*

The Stress Testing Framework describes the procedures by which the Clearing Agencies perform stress testing of each of their respective total prefunded financial resources, exclusive of assessments for additional contributions or other resources that are not prefunded that may be available to the Clearing Agencies and is maintained by the Clearing Agencies pursuant to Rule 17Ad-22(e)(4) under the Act.<sup>9</sup> In addition to the proposed changes discussed above, the Clearing Agencies are proposing to make the following changes to the Stress Testing Framework.

First, the Clearing Agencies are proposing to enhance the descriptions of certain matters within the Stress Testing Framework that would clarify, but would not substantively change, those statements. The proposed revisions would enhance the clarity of the current description of the purpose of the Clearing Agencies' stress testing methodologies and the description of the monthly review and evaluation of the stress testing results and underlying parameters and assumptions. The proposed changes would state that the monthly review would include

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<sup>8</sup> The Capital Policy and the Capital Replenishment Plan are both owned by the DTCC Treasury Group. Therefore, the Clearing Agencies are not proposing changes to these documents with respect to their ownership.

<sup>9</sup> See supra note 1; 17 CFR 240.17Ad-22(e)(4).

- (1) analyses of model parameters, model assumptions, and model performance; and
- (2) evaluation of the set of stress scenarios to confirm their continued comprehensiveness and relevance.

Second, the Clearing Agencies are proposing to revise the Stress Testing Framework to update the responsibilities of certain groups within the DTCC Group Chief Risk Office (“GCRO”). For example, the Clearing Agencies are proposing to revise the Stress Testing Framework to reflect that, due to a recent reorganization within the GCRO, certain tasks that were previously the responsibility of the Market Analytics group were delegated to the Systemic Risk Office, including the responsibility for designing macroeconomic scenarios that are used in the development of hypothetical scenarios used in stress testing. Additionally, the Clearing Agencies are separately proposing to revise the Stress Testing Framework to clarify that certain responsibilities of the Data and Portfolio Analytics group (“DPA”) require input from other groups within the Quantitative Risk Management team (“QRM”) of the GCRO by replacing “DPA” with “QRM” in the descriptions of these responsibilities.

Finally, the Clearing Agencies are proposing to update the descriptions of reverse stress testing analyses within the Stress Testing Framework to reflect the current practice of performing these analyses for each of the Clearing Agencies.<sup>10</sup> Reverse stress testing analyses are performed on at least a semi-annual basis and provide another means for testing the sufficiency of the Clearing Agencies’ respective prefunded financial resources, in addition to the stress testing that is performed by the Clearing Agencies pursuant to the requirements of Rule 17Ad-22(e)(4) under the Act.<sup>11</sup> The Stress Testing Framework currently states that the reverse stress testing analyses are performed for FICC and NSCC. Since the implementation of the Stress Testing Framework, the Clearing Agencies have expanded these analyses to cover DTC as well. Therefore, the Clearing Agencies are proposing to update the Stress Testing Framework to reflect the current practice of performing reverse stress testing analyses for each of the Clearing Agencies.

*iv. Proposed Correction to Liquidity Risk Management Framework*

The Liquidity Risk Management Framework sets forth the manner in which each of the Clearing Agencies measures, monitors and manages the liquidity risks that arise in or are borne by such Clearing Agency, including (i) the manner in which each Clearing Agency deploys its liquidity tools to meet its settlement obligations on an ongoing and timely basis and (ii) each applicable Clearing Agency’s use of intraday liquidity, in accordance with applicable legal

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<sup>10</sup> Reverse stress testing is a method for identifying events that may cause a Clearing Agency to exhaust its prefunded financial resources. Reverse stress testing could involve, for example, assuming that a particular set of circumstances, or event, does exhaust a Clearing Agency’s prefunded financial resources, and then determining the size of security price movements in those circumstances.

<sup>11</sup> 17 CFR 240.17Ad-22(e)(4).

requirements. The Liquidity Risk Management Framework assists the Clearing Agencies with the requirements of Rule 17Ad-22(e)(7) under the Act.<sup>12</sup>

In addition to the proposed changes discussed above, the Clearing Agencies are proposing to correct an error in the examples of assumptions that may be used in the Level 1 stress scenarios that are used in the Clearing Agencies' daily liquidity analyses, as described in the Initial Filing. Currently, the Liquidity Risk Management Framework states that these assumptions may include the simultaneous default, without prior warning, of all members of the affiliated family with the largest settlement obligations. The proposed change would remove "without prior warning," which was included in error, as the assumption that may be used for Level 1 stress scenarios would assume some prior warning or expectation of this event.

(b) Statutory Basis

The Clearing Agencies believe that the proposed changes are consistent with Section 17A(b)(3)(F) of the Act, which requires, in part, that the rules of a registered clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible, for the reasons described below.<sup>13</sup>

The proposed change to reflect the existing delegation of authority to the General Counsel and Deputy General Counsels of the Clearing Agencies to approve certain changes to the Clearing Agency Frameworks would align the change management process applicable to the Frameworks to existing governance and delegations of authority within the Clearing Agencies. The proposed change would also permit an expedited review and approval of changes that do not require action by the Boards or Board committees. In this way, the proposed change would simplify the steps necessary for the Clearing Agencies to make certain non-material changes to the Clearing Agency Frameworks, subject to required regulatory review and approval of such changes. The proposed change to revise the identification of the individual who owns and manages certain of the Clearing Agency Frameworks to an officer within the relevant business unit would provide the Clearing Agencies with flexibility to change that individual or the title of that individual, while ensuring the owner has an appropriate level of authority.

The other proposed changes to the Stress Testing Framework and the Liquidity Risk Management Framework would clarify and correct the descriptions of certain matters, as described above. For example, the proposed change to clarify in the Stress Testing Framework that reverse stress testing may be performed for each of the Clearing Agencies would update this Framework to reflect current practice and would correct the existing statements that such analyses are only performed for FICC and NSCC. By creating clearer descriptions, updating descriptions to reflect current practice, and correcting errors, the Clearing Agencies believe that

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<sup>12</sup> See supra note 1; 17 CFR 240.17Ad-22(e)(7).

<sup>13</sup> 15 U.S.C. 78q-1(b)(3)(F).



the proposed changes would make these Frameworks more effective in providing an overview of the important risk management activities described therein.

As described in the Initial Filings, the risk management functions described in the Clearing Agency Frameworks allow the Clearing Agencies to continue the prompt and accurate clearance and settlement of securities and can continue to assure the safeguarding of securities and funds which are in their custody or control or for which they are responsible notwithstanding the default of a member of an affiliated family. The proposed changes to improve the clarity and accuracy of the descriptions of these functions within the Clearing Agency Frameworks would assist the Clearing Agencies in carrying out these risk management functions. Therefore, the Clearing Agencies believe the proposed changes are consistent with the requirements of Section 17A(b)(3)(F) of the Act.<sup>14</sup>

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

The Clearing Agencies do not believe that the proposed changes to the Clearing Agency Frameworks described above would have any impact, or impose any burden, on competition. As described above, the proposed rule changes would improve the change management process applicable to the Clearing Agency Frameworks, and would improve the clarity and accuracy of the descriptions of certain matters within the Frameworks. Therefore, the proposed changes are technical and non-material in nature, relating mostly to the operation of the Clearing Agency Frameworks rather than the risk management functions described therein.

Further, the Clearing Agencies do not believe that the proposed change to update the Stress Testing Framework to state that reverse stress testing may be performed for each of the Clearing Agencies would have any impact, or impose any burden, on competition. The proposed change would reflect the recent expansion of reverse stress testing to cover DTC and, similar to the use of reverse stress testing with NSCC and FICC, these analyses are applied consistently to all DTC participants.

As such, the Clearing Agencies do not believe that the proposed rule changes would have any impact on competition.

#### **5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

The Clearing Agencies have not solicited or received any written comments relating to this proposal. The Clearing Agencies will notify the Securities and Exchange Commission ("Commission") of any written comments received by the Clearing Agencies.

#### **6. Extension of Time Period for Commission Action**

Not applicable.

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<sup>14</sup>

Id.

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

(a) The proposed rule changes are to take effect pursuant to paragraph A of Section 19(b)(3) of the Act.<sup>15</sup>

(b) The proposed rule change (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. As noted above, the proposed changes are mostly technical and non-material in nature. The proposed change to reflect the use of reverse stress testing at DTC would provide another means for testing the sufficiency of DTC's prefunded financial resources, in addition to the stress testing that is already performed pursuant to the requirements of Rule 17Ad-22(e)(4) under the Act.<sup>16</sup> Therefore, these proposed changes would not significantly affect the protection of investors or the public interest, nor would these changes impose any significant burden on competition, for the reasons also described above.

The Clearing Agencies have given the Commission written notice of their intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.<sup>17</sup>

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act normally does not become operative prior to 30 days after the date of filing.<sup>18</sup> Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest.<sup>19</sup> The Clearing Agencies believe that it would be appropriate for the proposed changes to become operative on a shorter timeframe in order to allow the Clearing Agencies to maintain clear and accurate internal procedures, and avoid any errors in carrying out the important responsibilities described therein. As the Frameworks are internal facing documents, the Clearing Agencies do not believe that allowing these proposed changes to become operative on a shorter timeframe would have any impact on the protection of investors or be inconsistent with the public interest. Therefore, the Clearing Agencies respectfully request the Commission waive the 30-day operative delay so that the Clearing Agencies may modify the Frameworks without delay.

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<sup>15</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>16</sup> 17 CFR 240.17Ad-22(e)(4).

<sup>17</sup> 17 CFR 240.19b-4(f)(6).

<sup>18</sup> Id.

<sup>19</sup> 17 CFR 240.19b-4(f)(6)(iii).

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule should be approved or disapproved.

(c) Not applicable.

(d) Not applicable.

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

While the proposed rule change is not based on the rules of another self-regulatory organization or of the Commission, each of the Clearing Agency Frameworks is applicable to each of the Clearing Agencies, and each of the Clearing Agencies has filed similar proposed rule changes concurrently with this filing.

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

Not applicable.

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

Not applicable.

**11. Exhibits**

Exhibit 1 – Not applicable.

Exhibit 1A – Notice of proposed rule change for publication in the Federal Register.

Exhibit 2 – Not applicable.

Exhibit 3 – Not applicable.

Exhibit 4 – Not applicable.

Exhibit 5 – Proposed changes to the Clearing Agency Frameworks. **Omitted and filed separately with the Commission. Confidential treatment of this Exhibit 5 being requested pursuant to 17 CFR 240.24b-2.**

**EXHIBIT 1A**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-[\_\_\_\_\_]; File No. SR-DTC-2018-009)

[DATE]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Clearing Agency Frameworks

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October \_\_, 2018, The Depository Trust Company (“DTC”) 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. DTC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> 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 DTC would amend the Clearing Agency Stress Testing Framework (Market Risk) (“Stress Testing Framework”), Clearing Agency Liquidity Risk Management Framework (“Liquidity Risk Management Framework”), Clearing Agency Model Risk Management Framework (“Model Risk Management Framework”), Clearing Agency Operational Risk Management Framework (“Operational

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

Risk Management Framework”), Clearing Agency Risk Management Framework (“Risk Management Framework”), Clearing Agency Securities Valuation Framework (“Securities Valuation Framework”), Clearing Agency Policy on Capital Requirements (“Capital Policy”), and Clearing Agency Capital Replenishment Plan (“Capital Replenishment Plan,” and, together with the Stress Testing Framework, Liquidity Risk Management Framework, Model Risk Management Framework, Operational Risk Management Framework, Risk Management Framework, Securities Valuation Framework and Capital Policy, the “Clearing Agency Frameworks” or “Frameworks”) of DTC and its affiliates, National Securities Clearing Corporation (“NSCC”) and Fixed Income Clearing Corporation (“FICC,” and together with DTC and NSCC, the “Clearing Agencies”).

Specifically, the proposed rule change would (1) amend each of the Clearing Agency Frameworks to incorporate and align with an existing delegation of authority to the General Counsel and Deputy General Counsels of the Clearing Agencies to approve certain changes to the Clearing Agency Frameworks; (2) revise the identification of the individuals who own and manage the Frameworks, where applicable; (3) make further corrections and clarifications to the Stress Testing Framework, including revisions to the description of responsibilities of certain groups and expansion of reverse stress testing analyses, as further described below; and (4) correct the description of an assumption underlying a stress scenario in the Liquidity Risk Management Framework, as further described below.

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

The Clearing Agencies adopted the Clearing Agency Frameworks<sup>5</sup> in order to set forth the manner in which each of the Clearing Agencies addresses certain risks as required by Rule 17Ad-22(e) under the Act,<sup>6</sup> as described in the Initial Filings. In

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<sup>5</sup> See Securities Exchange Act Release Nos. 82368 (December 19, 2017), 82 FR 61082 (December 26, 2017) (SR-DTC-2017-005; SR-FICC-2017-009; SR-NSCC-2017-006) (Stress Testing Framework); 82377 (December 21, 2017), 82 FR 61617 (December 28, 2017) (SR-DTC-2017-004; SR-NSCC-2017-005; SR-FICC-2017-008) (Liquidity Risk Management Framework); 81485 (August 25, 2017), 82 FR 41433 (August 31, 2017) (SR-DTC-2017-008; SR-FICC-2017-014; SR-NSCC-2017-008) (Model Risk Management Framework); 81745 (September 28, 2017), 82 FR 46332 (October 4, 2017) (SR-DTC-2017-014; SR-NSCC-2017-013; SR-FICC-2017-017) (Operational Risk Management Framework); 81635 (September 15, 2017), 82 FR 44224 (September 21, 2017) (SR-DTC-2017-013; SR-NSCC-2017-012; SR-FICC-2017-016) (Risk Management Framework); 82006 (November 2, 2017), 82 FR 51892 (November 8, 2017) (SR-DTC-2017-016; SR-NSCC-2017-016; SR-FICC-2017-020) (Securities Valuation Framework); 81105 (July 7, 2017), 82 FR 32399 (July 13, 2017) (SR-DTC-2017-003, SR-FICC-2017-007, SR-NSCC-2017-004) (Capital Policy and Capital Replenishment Plan) (each, an "Initial Filing" and collectively, "Initial Filings").

<sup>6</sup> 17 CFR 240.17Ad-22(e).

addition to setting forth the manner in which each of the Clearing Agencies addresses the requirements of Rule 17Ad-22(e), each Framework also contains a section titled “Framework Ownership and Change Management” that, among other matters, identifies the title of the individual or group who owns and is responsible for managing the Framework and describes the required governance process for review and approval of changes to the Framework.

The Clearing Agencies are proposing to (1) amend each of the Clearing Agency Frameworks in order to align with an existing delegation of authority to the General Counsel and Deputy General Counsels of the Clearing Agencies to approve certain changes to the Clearing Agency Frameworks; (2) revise the identification of the individuals who own and manage the Frameworks, where applicable; (3) make further corrections and clarifications to the Stress Testing Framework, including revisions to the description of responsibilities of certain groups and expansion of the reverse stress testing analyses, as further described below; and (4) correct the description of an assumption underlying a stress scenario in the Liquidity Risk Management Framework, as further described below.

*i. Proposed Amendments Regarding Delegation of Authority for Change Management*

Currently, most of the Clearing Agency Frameworks (with the exception of the Capital Policy and Capital Replenishment Plan) include a statement within the “Framework Ownership and Change Management” section that any change to the Framework must be approved by the Boards, or such committees as may be delegated authority by the Boards from time to time pursuant to their charters. The Capital Policy and Capital Replenishment Plan each provide that “routine” changes to these documents

be approved by the DTCC Treasury Group,<sup>7</sup> which owns these documents, and that “material” changes to these documents be approved by the Boards, or such committees as may be delegated authority by the Boards from time to time pursuant to their charters.

The Boards have delegated to the General Counsel and the Deputy General Counsels of the Clearing Agencies the authority to approve certain proposed rule changes of the Clearing Agencies and the filings with respect to such proposed rule changes required by Rule 19b-4 under the Act.<sup>8</sup> Specifically, the Boards have delegated to the General Counsel and Deputy General Counsels of the Clearing Agencies authority to approve (1) proposed rule changes that may be filed pursuant to Section 19(b)(3)(A) of the Act,<sup>9</sup> (2) proposed rule changes that constitute clarifications, corrections or minor changes in the rules of the Clearing Agencies but that will not be filed pursuant to Section 19(b)(3)(A) of the Act,<sup>10</sup> in each case, other than any rule change where the aggregate annual fees generated as a result of such rule change are anticipated to be more than \$1,000,000 at the time of the filing, and (3) all proposed changes that are subject to an advance notice as required by Rule 19b-4(n) under the Act<sup>11</sup> but do not constitute a change to the rules of Clearing Agencies.

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<sup>7</sup> The parent company of the Clearing Agencies is The Depository Trust & Clearing Corporation (“DTCC”). DTCC operates on a shared services model with respect to the Clearing Agencies and its other subsidiaries. Most corporate functions are established and managed on an enterprise-wide basis pursuant to intercompany agreements under which it is generally DTCC that provides a relevant service to a subsidiary, including the Clearing Agencies.

<sup>8</sup> 17 CFR 240.19b-4.

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> Id.

<sup>11</sup> 17 CFR 240.19b-4(n).



Therefore, the statement within the “Framework Ownership and Change Management” section of the Clearing Agency Frameworks that the Boards or committees of the Board must approve changes to the Clearing Agency Frameworks is inconsistent with these existing delegations of approval authority. As such, the Clearing Agencies are proposing to amend each of the Clearing Agency Frameworks to clarify that changes to the Clearing Agency Frameworks may be approved by (1) the Boards, (2) such Board committees as may be delegated authority by the Boards from time to time pursuant to their charters, or (3), with respect to certain changes, the General Counsel or Deputy General Counsels of the Clearing Agencies, pursuant to authority delegated by the Boards and with the advice and direction of the Framework owner.

The proposed change would make the Clearing Agency Frameworks consistent with existing internal delegations of authority and would also facilitate expedited review and approval of changes that may not require the review and approval of the Boards or committees of the Boards.

*ii. Proposed Revision to the Identification of the Clearing Agency Frameworks’ Owners*

The “Framework Ownership and Change Management” section in most of the Clearing Agency Frameworks (with the exception of the Capital Policy and the Capital Replenishment Plan)<sup>12</sup> also identifies the individual who owns and manages that Framework. Currently, each of the Frameworks identifies the title of that individual. The Clearing Agencies are proposing to revise each of the Clearing Agency Frameworks to remove the title of that individual and instead provide that the individual who owns

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<sup>12</sup> The Capital Policy and the Capital Replenishment Plan are both owned by the DTCC Treasury Group. Therefore, the Clearing Agencies are not proposing changes to these documents with respect to their ownership.

and manages the Framework is an officer within the applicable business group. The proposed change would permit the Clearing Agencies to change the title of the individual who owns and manages the Clearing Agency Frameworks, so long as that individual is an officer of the Clearing Agencies.

*iii. Proposed Revisions to Stress Testing Framework*

The Stress Testing Framework describes the procedures by which the Clearing Agencies perform stress testing of each of their respective total prefunded financial resources, exclusive of assessments for additional contributions or other resources that are not prefunded that may be available to the Clearing Agencies and is maintained by the Clearing Agencies pursuant to Rule 17Ad-22(e)(4) under the Act.<sup>13</sup> In addition to the proposed changes discussed above, the Clearing Agencies are proposing to make the following changes to the Stress Testing Framework.

First, the Clearing Agencies are proposing to enhance the descriptions of certain matters within the Stress Testing Framework that would clarify, but would not substantively change, those statements. The proposed revisions would enhance the clarity of the current description of the purpose of the Clearing Agencies' stress testing methodologies and the description of the monthly review and evaluation of the stress testing results and underlying parameters and assumptions. The proposed changes would state that the monthly review would include (1) analyses of model parameters, model assumptions, and model performance; and (2) evaluation of the set of stress scenarios to confirm their continued comprehensiveness and relevance.

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<sup>13</sup> See supra note 5; 17 CFR 240.17Ad-22(e)(4).

Second, the Clearing Agencies are proposing to revise the Stress Testing Framework to update the responsibilities of certain groups within the DTCC Group Chief Risk Office (“GCRO”). For example, the Clearing Agencies are proposing to revise the Stress Testing Framework to reflect that, due to a recent reorganization within the GCRO, certain tasks that were previously the responsibility of the Market Analytics group were delegated to the Systemic Risk Office, including the responsibility for designing macroeconomic scenarios that are used in the development of hypothetical scenarios used in stress testing. Additionally, the Clearing Agencies are separately proposing to revise the Stress Testing Framework to clarify that certain responsibilities of the Data and Portfolio Analytics group (“DPA”) require input from other groups within the Quantitative Risk Management team (“QRM”) of the GCRO by replacing “DPA” with “QRM” in the descriptions of these responsibilities.

Finally, the Clearing Agencies are proposing to update the descriptions of reverse stress testing analyses within the Stress Testing Framework to reflect the current practice of performing these analyses for each of the Clearing Agencies.<sup>14</sup> Reverse stress testing analyses are performed on at least a semi-annual basis and provide another means for testing the sufficiency of the Clearing Agencies’ respective prefunded financial resources, in addition to the stress testing that is performed by the Clearing Agencies pursuant to the requirements of Rule 17Ad-22(e)(4) under the Act.<sup>15</sup> The Stress Testing

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<sup>14</sup> Reverse stress testing is a method for identifying events that may cause a Clearing Agency to exhaust its prefunded financial resources. Reverse stress testing could involve, for example, assuming that a particular set of circumstances, or event, does exhaust a Clearing Agency’s prefunded financial resources, and then determining the size of security price movements in those circumstances.

<sup>15</sup> 17 CFR 240.17Ad-22(e)(4).

Framework currently states that the reverse stress testing analyses are performed for FICC and NSCC. Since the implementation of the Stress Testing Framework, the Clearing Agencies have expanded these analyses to cover DTC as well. Therefore, the Clearing Agencies are proposing to update the Stress Testing Framework to reflect the current practice of performing reverse stress testing analyses for each of the Clearing Agencies.

*iv. Proposed Correction to Liquidity Risk Management Framework*

The Liquidity Risk Management Framework sets forth the manner in which each of the Clearing Agencies measures, monitors and manages the liquidity risks that arise in or are borne by such Clearing Agency, including (i) the manner in which each Clearing Agency deploys its liquidity tools to meet its settlement obligations on an ongoing and timely basis and (ii) each applicable Clearing Agency's use of intraday liquidity, in accordance with applicable legal requirements. The Liquidity Risk Management Framework assists the Clearing Agencies with the requirements of Rule 17Ad-22(e)(7) under the Act.<sup>16</sup>

In addition to the proposed changes discussed above, the Clearing Agencies are proposing to correct an error in the examples of assumptions that may be used in the Level 1 stress scenarios that are used in the Clearing Agencies' daily liquidity analyses, as described in the Initial Filing. Currently, the Liquidity Risk Management Framework states that these assumptions may include the simultaneous default, without prior warning, of all members of the affiliated family with the largest settlement obligations. The proposed change would remove "without prior warning," which was included in

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<sup>16</sup> See supra note 5; 17 CFR 240.17Ad-22(e)(7).

error, as the assumption that may be used for Level 1 stress scenarios would assume some prior warning or expectation of this event.

2. Statutory Basis

The Clearing Agencies believe that the proposed changes are consistent with Section 17A(b)(3)(F) of the Act, which requires, in part, that the rules of a registered clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible, for the reasons described below.<sup>17</sup>

The proposed change to reflect the existing delegation of authority to the General Counsel and Deputy General Counsels of the Clearing Agencies to approve certain changes to the Clearing Agency Frameworks would align the change management process applicable to the Frameworks to existing governance and delegations of authority within the Clearing Agencies. The proposed change would also permit an expedited review and approval of changes that do not require action by the Boards or Board committees. In this way, the proposed change would simplify the steps necessary for the Clearing Agencies to make certain non-material changes to the Clearing Agency Frameworks, subject to required regulatory review and approval of such changes. The proposed change to revise the identification of the individual who owns and manages certain of the Clearing Agency Frameworks to an officer within the relevant business unit would provide the Clearing Agencies with flexibility to change that individual or the title of that individual, while ensuring the owner has an appropriate level of authority.

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<sup>17</sup> 15 U.S.C. 78q-1(b)(3)(F).

The other proposed changes to the Stress Testing Framework and the Liquidity Risk Management Framework would clarify and correct the descriptions of certain matters, as described above. For example, the proposed change to clarify in the Stress Testing Framework that reverse stress testing may be performed for each of the Clearing Agencies would update this Framework to reflect current practice and would correct the existing statements that such analyses are only performed for FICC and NSCC. By creating clearer descriptions, updating descriptions to reflect current practice, and correcting errors, the Clearing Agencies believe that the proposed changes would make these Frameworks more effective in providing an overview of the important risk management activities described therein.

As described in the Initial Filings, the risk management functions described in the Clearing Agency Frameworks allow the Clearing Agencies to continue the prompt and accurate clearance and settlement of securities and can continue to assure the safeguarding of securities and funds which are in their custody or control or for which they are responsible notwithstanding the default of a member of an affiliated family. The proposed changes to improve the clarity and accuracy of the descriptions of these functions within the Clearing Agency Frameworks would assist the Clearing Agencies in carrying out these risk management functions. Therefore, the Clearing Agencies believe the proposed changes are consistent with the requirements of Section 17A(b)(3)(F) of the Act.<sup>18</sup>

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<sup>18</sup> Id.

(B) Clearing Agency's Statement on Burden on Competition

The Clearing Agencies do not believe that the proposed changes to the Clearing Agency Frameworks described above would have any impact, or impose any burden, on competition. As described above, the proposed rule changes would improve the change management process applicable to the Clearing Agency Frameworks, and would improve the clarity and accuracy of the descriptions of certain matters within the Frameworks. Therefore, the proposed changes are technical and non-material in nature, relating mostly to the operation of the Clearing Agency Frameworks rather than the risk management functions described therein.

Further, the Clearing Agencies do not believe that the proposed change to update the Stress Testing Framework to state that reverse stress testing may be performed for each of the Clearing Agencies would have any impact, or impose any burden, on competition. The proposed change would reflect the recent expansion of reverse stress testing to cover DTC and, similar to the use of reverse stress testing with NSCC and FICC, these analyses are applied consistently to all DTC participants.

As such, the Clearing Agencies do not believe that the proposed rule changes would have any impact on competition.

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

The Clearing Agencies have not solicited or received any written comments relating to this proposal. The Clearing Agencies will notify the Commission of any written comments received by the Clearing Agencies.

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

Because the foregoing proposed rule change does not:

- (i) significantly affect the protection of investors or the public interest;
- (ii) impose any significant burden on competition; and
- (iii) become operative for 30 days from the date on which it was filed, or such

shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>19</sup> and Rule 19b-4(f)(6) thereunder.<sup>20</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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](mailto:rule-comments@sec.gov). Please include File Number SR-DTC-2018-009 on the subject line.

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<sup>19</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>20</sup> 17 CFR 240.19b-4(f)(6).



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-DTC-2018-009. 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 DTC 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-DTC-2018-009 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.<sup>21</sup>

Secretary

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<sup>21</sup> 17 CFR 200.30-3(a)(12).

TEXT OF PROPOSED RULE CHANGE

**Bold and underlined** text indicates proposed added language.

**~~Bold and strikethrough~~** text indicates proposed deleted language.

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