

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 30

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
Form 19b-4

File No. \* SR 2021 - \* 015

Amendment No. (req. for Amendments \*)

Filing by National Securities Clearing Corporation

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial \* ☒ Amendment \* ☐ Withdrawal ☐

Section 19(b)(2) \* ☐ Section 19(b)(3)(A) \* ☒ Section 19(b)(3)(B) \* ☐

Pilot ☐ Extension of Time Period for Commission Action \* ☐ Date Expires \*

Rule

☐ 19b-4(f)(1) ☒ 19b-4(f)(4)  
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)  
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) \*

☐

Section 806(e)(2) \*

☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934  
Section 3C(b)(2) \*

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Exhibit 2 Sent As Paper Document

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Exhibit 3 Sent As Paper Document

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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

Modify NSCC Rules to Remove Mutual Fund Deposit Requirements and Remove Certain Other Provisions Relating to Clearing Fund Requirements for Limited Members

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 \* RuleFilingAdmin@dtcc.com

Telephone \*  Fax

Signature

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

Date 12/02/2021

(Title \*)

By

(Name \*)

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

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Narrative - SR-NSCC-2021-015 (Rem

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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Exhibit 1A - SR-NSCC-2021-015 (Rer

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 Advanced 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 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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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.

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Exhibit Sent As Paper Document

**Exhibit 3 - Form, Report, or Questionnaire**

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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.

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Exhibit Sent As Paper Document

**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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Exhibit 5 - SR-NSCC-2021-015 (Remc

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 Proposed Rule Change**

(a) The proposed rule change of National Securities Clearing Corporation (“NSCC”) is annexed hereto as Exhibit 5 and consists of modifications to NSCC’s Rules & Procedures (the “Rules”)<sup>1</sup> to remove the requirement that Members and Mutual Fund/Insurance Services Members pay a Mutual Fund Deposit into the Clearing Fund relating to Mutual Fund Services, remove provisions relating to the Mutual Fund Deposit and the Insurance Deposit and remove a provision relating to establishing a Clearing Fund requirement for NSCC Members<sup>2</sup> that currently do not have a Clearing Fund requirement. The proposed changes are described in greater detail below.

(b) Not applicable.

(c) Not applicable.

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

The proposed rule change was approved by the Deputy General Counsel of NSCC on November 30, 2021 pursuant to delegated authority from NSCC’s Board of Directors.

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

### **(a) Purpose**

The proposed rule change consists of modifications the Rules to remove the requirement that Members and Mutual Fund/Insurance Services Members pay a Mutual Fund Deposit into the Clearing Fund relating to Mutual Fund Services, remove provisions relating to the Mutual Fund Deposit and the Insurance Deposit and remove a provision relating to establishing a Clearing Fund requirement for NSCC Members that currently do not have a Clearing Fund requirement. The proposed changes are described in greater detail below.

### **(i) *Mutual Fund Deposit***

As part of its market risk management strategy, NSCC manages its credit exposure to NSCC Members by determining the appropriate deposits to the Clearing Fund and monitoring Clearing Fund’s sufficiency, as provided for in the Rules.<sup>3</sup> The deposits to the Clearing Fund

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<sup>1</sup> Capitalized terms not defined herein are defined in the Rules, available at [https://dtcc.com/~media/Files/Downloads/legal/rules/nscc\\_rules.pdf](https://dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.pdf).

<sup>2</sup> Members and Limited Members are collectively referred to herein as “NSCC Members”.

<sup>3</sup> See Rule 4 (Clearing Fund) and Procedure XV (Clearing Fund Formula and Other Matters) (“Procedure XV”), supra note 1. NSCC’s market risk management strategy is designed to comply with Rule 17Ad-22(e)(4) under the Securities Exchange Act of 1934 (“Act”), where these risks are referred to as “credit risks.” 17 CFR 240.17Ad-22(e)(4).

serves as each NSCC Member's margin. The objective of an NSCC Member's deposit is to mitigate potential losses to NSCC associated with a default by an NSCC Member. Pursuant to the Rules, each NSCC Member's Clearing Fund deposit amount consists of a number of applicable components, each of which is calculated to address specific risks faced by NSCC, as identified within Procedure XV.<sup>4</sup> One of the required components is a "Mutual Fund Deposit" that is required to be paid by Mutual Fund/Insurance Services Members and Members that use Mutual Fund Services and which is intended to address risks relating to the use of Mutual Fund Services.<sup>5</sup>

Section 13 of Rule 4 requires that Mutual Fund/Insurance Services Members and Members that use Mutual Fund Services each make a cash deposit to the Clearing Fund, referred to as a Mutual Fund Deposit, in the amounts determined in Procedure XV.<sup>6</sup> Section I.(A)(4) of Procedure XV requires that each Member that uses Mutual Fund Services pay a Mutual Fund Deposit ranging from \$5,000 to \$20,000 based on the amount of Mutual Fund Services settlement debits such Member has with respect to any one Fund Member.<sup>7</sup> Section I.(C) of Procedure XV requires that each Mutual Fund/Insurance Services Member also pay a Mutual Fund Deposit ranging from \$5,000 to \$20,000 based on the amount of Mutual Fund Services settlement debits such Mutual Fund/Insurance Services Member has with respect to any one Fund Member.<sup>8</sup>

The risk that the Mutual Fund Deposit is intended to address is a loss incurred by NSCC relating to a default by a Member or Mutual Fund/Insurance Services Member using Mutual Fund Services. Mutual Fund Services is a "non-guaranteed" service of NSCC, which means that NSCC does not guarantee the payments at settlement for transactions processed through Mutual Fund Services.<sup>9</sup> In the event of an NSCC Member default, transactions processed through Mutual Fund Services by that NSCC Member may be reversed, including any credits owed to any counterparties with respect to such transactions.<sup>10</sup> Therefore, a loss to NSCC could only occur with respect to transactions in Mutual Fund Services if an NSCC Member defaults on payment, NSCC makes a decision to proceed with settlement despite the default and pay the credits to the counterparties and then subsequently NSCC is unable to recover the funds from either the defaulting NSCC Member or the counterparties. Such a situation is referred to as a "double default". NSCC put the Mutual Fund Deposit requirement in place to address the

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<sup>4</sup> Procedure XV, supra note 1.

<sup>5</sup> See Section 13 of Rule 4, supra note 1.

<sup>6</sup> Id.

<sup>7</sup> Section I.(A)(4) of Procedure XV, supra note 1.

<sup>8</sup> Section I.(C) of Procedure XV, supra note 1.

<sup>9</sup> See Addendum D of the Rules, supra note 1.

<sup>10</sup> Id.

remote risk of loss related to a double default in connection with Mutual Fund Services transactions.<sup>11</sup>

NSCC regularly assesses its margining methodologies to evaluate whether margin levels are commensurate with the particular risk attributes of each relevant product, portfolio, and market. In connection with such reviews, NSCC has determined that the Mutual Fund Deposit is not necessary to address the risks relating to transactions in Mutual Fund Services by Members and Mutual Fund/Insurance Services Members. The risk of an NSCC loss relating to Mutual Fund Services transactions is remote. As discussed above, upon a default by a Member or a Mutual Fund/Insurance Services Member related to Mutual Fund Services transactions, for NSCC to incur a loss, NSCC would need to make a decision to not reverse the Mutual Fund Services transactions and pay the credits to the counterparties. While it is possible that NSCC could make such a decision, for instance in order to minimize operational risks and market impacts, it would likely only do so if it was certain that it could recover the amounts of the credits it decided to pay. In addition, since those payments can be reversed, once those payments were made, NSCC could look to both the defaulting NSCC Member and the counterparties that received the credit payments to recover those losses. NSCC has never needed to use Mutual Fund Deposits to recover a loss and has never incurred a loss relating to an NSCC Member defaulting on Mutual Fund Services transaction payments.

In addition, the amounts of the Mutual Fund Deposits no longer correlate with most of the settlement amounts in Mutual Fund Services. The current requirements for the Mutual Fund Deposits, from \$5,000 to \$20,000, has not changed since the Mutual Fund Deposit was implemented in 1988.<sup>12</sup> In the remote circumstance where NSCC did incur a loss relating to Mutual Fund Services, the amounts of the Mutual Fund Deposits would not likely cover the amount of such losses.

Therefore, NSCC is proposing to remove the requirement that Members that use Mutual Fund Services and Mutual Fund/Insurance Services Members pay the Mutual Fund Deposit.

***(ii) Mutual Fund Deposit/Insurance Deposit Provisions***

In addition to the provisions requiring Members and Mutual Fund/Insurance Services to pay a Mutual Fund Deposit, Section 13 of Rule 4 contains provisions stating that Fund Members *may* be required to make a Mutual Fund Deposit in accordance with Procedure XV and other applicable Rules and Procedures.<sup>13</sup> Section 14 of Rule 4 has a similar provision stating that

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<sup>11</sup> See Securities Exchange Release No. 26377 (December 20, 1988) (SR-NSCC-87-12), 53 FR 52546 (December 28, 1988).

<sup>12</sup> Id.

<sup>13</sup> Section 13 of Rule 4, supra note 1.

Insurance Participants *may* be required to pay an Insurance Deposit in accordance with Procedure XV and other applicable Rules and Procedures.<sup>14</sup>

Section 13 of Rule 4 and Section 14 of Rule 4 also contain other provisions relating to the use of the Mutual Fund Deposits and Insurance Deposits, including loss allocation provisions relating to the Mutual Fund Deposits and Insurance Deposits and provisions relating to the return of the Mutual Fund Deposit or Insurance Deposit to a Mutual Fund Participant or Insurance Participant, respectively, that withdraws from membership.

NSCC has never placed a requirement in Procedure XV for Fund Members to pay a Mutual Fund Deposit or for Insurance Participants to pay an Insurance Deposit. Section I.(D) of Procedure XV states that the Clearing Fund Formula for each Fund Member, Insurance Carrier/Retirement Services Member and those Mutual Fund/Insurance Services Members who use Insurance & Retirement Services shall be established at such time as NSCC deems appropriate, however, NSCC has never established a Clearing Fund Formula for such NSCC Members.<sup>15</sup> In addition, NSCC currently does not plan to establish a Clearing Fund Formula for such NSCC Members.

NSCC believes that the provisions relating to whether it may require an NSCC Member to pay a Mutual Fund Deposit or Insurance Deposit and that it shall establish a Clearing Fund Formula for Fund Members, Insurance Carrier/Retirement Services Members and Mutual Fund/Insurance Services Members who use Insurance & Retirement Services are unnecessary and may be misleading since NSCC currently has no plans to establish such requirements. Given that NSCC would no longer be requiring Members and Mutual Fund/Insurance Services Members to pay a Mutual Fund Deposit and to avoid confusion relating to whether any other NSCC Members would be required to pay a Mutual Fund Deposit or an Insurance Deposit, NSCC is proposing to delete the provisions relating to Mutual Fund Deposits, Insurance Deposits and statements relating to whether NSCC shall establish a Clearing Fund Formula for Fund Members, Insurance Carrier/Retirement Services Members and Mutual Fund/Insurance Services Members who use Insurance & Retirement Services.

***(ii) Proposed Rule Changes***

NSCC is proposing to delete the definitions of Insurance Deposit and Mutual Fund Deposit in Rule 1 and delete Sections 13 and 14 of Rule 4 to remove the provisions relating to Mutual Fund Deposits and Insurance Deposits. NSCC is also proposing to delete Section I.(A)(4) of Procedure XV to remove the requirement that Members that use Mutual Fund Services pay a Mutual Fund Deposit and delete Section I.(C) of Procedure XV to remove the requirement that Mutual Fund/Insurance Services Members pay a Mutual Fund Deposit. NSCC would also delete Section I.(D) of Procedure XV to remove the statement that NSCC shall establish a Clearing Fund Formula for Fund Members, Insurance Carrier/Retirement Services

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<sup>14</sup> Section 14 of Rule 4, supra note 1.

<sup>15</sup> See Section I.(D) of Procedure XV, supra note 1.

Members and those Mutual Fund/Insurance Services Members who use Insurance & Retirement Services.

**(iii) *Implementation***

NSCC expects to implement the proposed rule changes on or prior to January 31, 2022. As proposed, a legend would be added to Rule 1, Rule 4 and Procedure XV stating there are changes that became effective upon filing with the Securities and Exchange Commission (“Commission”) but have not yet been implemented. The proposed legends would also state the date by which such changes would be implemented, the file number of this proposal, that NSCC will issue an Important Notice when the changes are implemented, and would state that once this proposal is implemented the legend would automatically be removed.

**(b) Statutory Basis**

NSCC believes that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. In particular, NSCC believes that the proposed rule changes are consistent with Section 17A(b)(3)(F) of the Act<sup>16</sup> and Rule 17Ad22(e)(6)(i) under the Act.

Section 17A(b)(3)(F) of the Act<sup>17</sup> requires, in part, that the Rules be designed to, among other things, remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions. The proposed revisions are consistent with this provision because the proposed revisions would remove a requirement to pay the Mutual Fund Deposit that NSCC has determined is not necessary to mitigate potential losses to NSCC associated with a default by an NSCC Member related to transactions in Mutual Fund Services. Removing the requirement of the Mutual Fund Deposits would allow Members and Mutual Fund/Insurance Services Members to use Mutual Fund Services without having to incur costs associated with making a Mutual Fund Deposit.

In addition, removing the references to the Mutual Fund Deposit and the Insurance Deposit and the references to establishing a Clearing Fund Formula for Fund Members, Insurance Carrier/Retirement Services Members and Mutual Fund/Insurance Services Members who use Insurance & Retirement Services would enhance the clarity of the Rules by removing provisions that are unnecessary and potentially misleading. Having clear and accurate Rules would help NSCC Members to better understand their rights and obligations regarding NSCC’s services.

As such, NSCC believes the proposed rule changes are consistent with Section 17A(b)(3)(F) of the Act.<sup>18</sup>

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<sup>16</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>17</sup> Id.

<sup>18</sup> Id.



Rule 17Ad-22(e)(6)(i) under the Act<sup>19</sup> requires that NSCC establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market.<sup>20</sup> NSCC has determined that the Mutual Fund Deposit is not necessary to address the risks relating to transactions in Mutual Fund Services by Members and Mutual Fund/Insurance Services Members. NSCC has never incurred a loss resulting from a default by an NSCC Member relating to transactions in Mutual Fund Services. In addition, for the reasons discussed above, the risk of NSCC occurring such a loss is remote and the amounts of the Mutual Fund Deposits are likely not sufficient to cover any such loss if such an unlikely event were to occur. Therefore, NSCC believes the proposed change is consistent with Rule 17Ad-22(e)(6)(i) under the Act.<sup>21</sup>

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

NSCC does not believe that the proposed changes would have an adverse impact, or impose a burden, on competition. These proposed changes would remove a requirement to pay the Mutual Fund Deposit for Mutual Fund/Insurance Services Members and Members that use Mutual Fund Services and would be removing provisions relating to the Mutual Fund Deposit and Insurance Deposit and clearing fund that NSCC believes are not necessary. The proposed changes would not be adding any obligations on NSCC Members that are using NSCC's services. As such, the proposed changes would not impede any NSCC Members from engaging in the services or have an adverse impact on any NSCC Members. Moreover, the proposed changes may promote competition because the proposed changes could enhance participation in Mutual Fund Services by removing the obligation to pay a Mutual Fund Deposit.

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

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

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment submissions. Commenters should

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<sup>19</sup> 17 CFR 240.17Ad-22(e)(6)(i).

<sup>20</sup> Id.

<sup>21</sup> 17 CFR 240.17Ad-22(e)(6)(iii).



submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

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

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

**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) or Section 19(b)(7)(D)**

(a) The proposed rule changes are to take effect immediately upon filing pursuant to paragraph A of Section 19(b)(3) of the Act.<sup>22</sup>

(b) The proposed rule change effects a change in an existing service of a registered clearing agency that: (i) does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible, and (ii) does not significantly affect the respective rights or obligations of the clearing agency or persons using the service. The proposed changes set forth above would remove the obligation to pay a minimal Mutual Fund Deposit to use Mutual Fund Services which NSCC believes is unnecessary. The proposed changes would also (i) remove provisions relating to the Mutual Fund Deposit and Insurance Deposit and (ii) remove a statement relating to establishing a Clearing Fund requirement for NSCC Members that do not have a Clearing Fund requirement. NSCC has no plans to establish a requirement to pay a Mutual Fund Deposit, Insurance Deposit or any Clearing Fund requirements for such NSCC members. As such, these changes would not significantly affect the rights or obligations of NSCC or NSCC participants.<sup>23</sup>

(c) Not applicable.

(d) Not applicable.

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<sup>22</sup> 15 U.S.C 78s(b)(3)(A).

<sup>23</sup> 17 CFR 240.19b-4(f)(4).

**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**

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 Rules.

**EXHIBIT 1A**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-[\_\_\_\_]; File No. SR-NSCC-2021-015)

[DATE]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Remove Mutual Fund Deposit Requirements and Remove Certain Other Provisions Relating to Clearing Fund Requirements for Limited Members from the NSCC Rules

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 December \_\_, 2021, National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. NSCC filed the proposed rule change pursuant to Section 19(b)(3)(A)<sup>3</sup> of the Act and subparagraph (f)(4)<sup>4</sup> of Rule 19b-4 thereunder. 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

(a) The proposed rule change of National Securities Clearing Corporation (“NSCC”) is annexed hereto as Exhibit 5 and consists of modifications to NSCC’s Rules

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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)(4).

& Procedures (the “Rules”)<sup>5</sup> to remove the requirement that Members and Mutual Fund/Insurance Services Members pay a Mutual Fund Deposit into the Clearing Fund relating to Mutual Fund Services, remove provisions relating to the Mutual Fund Deposit and the Insurance Deposit and remove a provision relating to establishing a Clearing Fund requirement for NSCC Members<sup>6</sup> that currently do not have a Clearing Fund requirement. The proposed changes are described in greater detail 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 proposed rule change consists of modifications the Rules to remove the requirement that Members and Mutual Fund/Insurance Services Members pay a Mutual Fund Deposit into the Clearing Fund relating to Mutual Fund Services, remove provisions relating to the Mutual Fund Deposit and the Insurance Deposit and remove a

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<sup>5</sup> Capitalized terms not defined herein are defined in the Rules, available at [https://dtcc.com/~media/Files/Downloads/legal/rules/nscc\\_rules.pdf](https://dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.pdf).

<sup>6</sup> Members and Limited Members are collectively referred to herein as “NSCC Members”.

provision relating to establishing a Clearing Fund requirement for NSCC Members that currently do not have a Clearing Fund requirement. The proposed changes are described in greater detail below.

**(i) *Mutual Fund Deposit***

As part of its market risk management strategy, NSCC manages its credit exposure to NSCC Members by determining the appropriate deposits to the Clearing Fund and monitoring Clearing Fund's sufficiency, as provided for in the Rules.<sup>7</sup> The deposits to the Clearing Fund serves as each NSCC Member's margin. The objective of an NSCC Member's deposit is to mitigate potential losses to NSCC associated with a default by an NSCC Member. Pursuant to the Rules, each NSCC Member's Clearing Fund deposit amount consists of a number of applicable components, each of which is calculated to address specific risks faced by NSCC, as identified within Procedure XV.<sup>8</sup> One of the required components is a "Mutual Fund Deposit" that is required to be paid by Mutual Fund/Insurance Services Members and Members that use Mutual Fund Services and which is intended to address risks relating to the use of Mutual Fund Services.<sup>9</sup>

Section 13 of Rule 4 requires that Mutual Fund/Insurance Services Members and Members that use Mutual Fund Services each make a cash deposit to the Clearing Fund,

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<sup>7</sup> See Rule 4 (Clearing Fund) and Procedure XV (Clearing Fund Formula and Other Matters) ("Procedure XV"), supra note 5. NSCC's market risk management strategy is designed to comply with Rule 17Ad-22(e)(4) under the Act, where these risks are referred to as "credit risks." 17 CFR 240.17Ad-22(e)(4).

<sup>8</sup> Procedure XV, supra note 5.

<sup>9</sup> See Section 13 of Rule 4, supra note 5.

referred to as a Mutual Fund Deposit, in the amounts determined in Procedure XV.<sup>10</sup>

Section I.(A)(4) of Procedure XV requires that each Member that uses Mutual Fund Services pay a Mutual Fund Deposit ranging from \$5,000 to \$20,000 based on the amount of Mutual Fund Services settlement debits such Member has with respect to any one Fund Member.<sup>11</sup> Section I.(C) of Procedure XV requires that each Mutual Fund/Insurance Services Member also pay a Mutual Fund Deposit ranging from \$5,000 to \$20,000 based on the amount of Mutual Fund Services settlement debits such Mutual Fund/Insurance Services Member has with respect to any one Fund Member.<sup>12</sup>

The risk that the Mutual Fund Deposit is intended to address is a loss incurred by NSCC relating to a default by a Member or Mutual Fund/Insurance Services Member using Mutual Fund Services. Mutual Fund Services is a “non-guaranteed” service of NSCC, which means that NSCC does not guarantee the payments at settlement for transactions processed through Mutual Fund Services.<sup>13</sup> In the event of an NSCC Member default, transactions processed through Mutual Fund Services by that NSCC Member may be reversed, including any credits owed to any counterparties with respect to such transactions.<sup>14</sup> Therefore, a loss to NSCC could only occur with respect to transactions in Mutual Fund Services if an NSCC Member defaults on payment, NSCC makes a decision to proceed with settlement despite the default and pay the credits to the

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<sup>10</sup> Id.

<sup>11</sup> Section I.(A)(4) of Procedure XV, supra note 5.

<sup>12</sup> Section I.(C) of Procedure XV, supra note 5.

<sup>13</sup> See Addendum D of the Rules, supra note 5.

<sup>14</sup> Id.

counterparties and then subsequently NSCC is unable to recover the funds from either the defaulting NSCC Member or the counterparties. Such a situation is referred to as a “double default”. NSCC put the Mutual Fund Deposit requirement in place to address the remote risk of loss related to a double default in connection with Mutual Fund Services transactions.<sup>15</sup>

NSCC regularly assesses its margining methodologies to evaluate whether margin levels are commensurate with the particular risk attributes of each relevant product, portfolio, and market. In connection with such reviews, NSCC has determined that the Mutual Fund Deposit is not necessary to address the risks relating to transactions in Mutual Fund Services by Members and Mutual Fund/Insurance Services Members. The risk of an NSCC loss relating to Mutual Fund Services transactions is remote. As discussed above, upon a default by a Member or a Mutual Fund/Insurance Services Member related to Mutual Fund Services transactions, for NSCC to incur a loss, NSCC would need to make a decision to not reverse the Mutual Fund Services transactions and pay the credits to the counterparties. While it is possible that NSCC could make such a decision, for instance in order to minimize operational risks and market impacts, it would likely only do so if it was certain that it could recover the amounts of the credits it decided to pay. In addition, since those payments can be reversed, once those payments were made, NSCC could look to both the defaulting NSCC Member and the counterparties that received the credit payments to recover those losses. NSCC has never needed to use Mutual Fund Deposits to recover a loss and has never incurred a loss

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<sup>15</sup> See Securities Exchange Release No. 26377 (December 20, 1988) (SR-NSCC-87-12), 53 FR 52546 (December 28, 1988).



relating to an NSCC Member defaulting on Mutual Fund Services transaction payments.

In addition, the amounts of the Mutual Fund Deposits no longer correlate with most of the settlement amounts in Mutual Fund Services. The current requirements for the Mutual Fund Deposits, from \$5,000 to \$20,000, has not changed since the Mutual Fund Deposit was implemented in 1988.<sup>16</sup> In the remote circumstance where NSCC did incur a loss relating to Mutual Fund Services, the amounts of the Mutual Fund Deposits would not likely cover the amount of such losses.

Therefore, NSCC is proposing to remove the requirement that Members that use Mutual Fund Services and Mutual Fund/Insurance Services Members pay the Mutual Fund Deposit.

***(ii) Mutual Fund Deposit/Insurance Deposit Provisions***

In addition to the provisions requiring Members and Mutual Fund/Insurance Services to pay a Mutual Fund Deposit, Section 13 of Rule 4 contains provisions stating that Fund Members *may* be required to make a Mutual Fund Deposit in accordance with Procedure XV and other applicable Rules and Procedures.<sup>17</sup> Section 14 of Rule 4 has a similar provision stating that Insurance Participants *may* be required to pay an Insurance Deposit in accordance with Procedure XV and other applicable Rules and Procedures.<sup>18</sup>

Section 13 of Rule 4 and Section 14 of Rule 4 also contain other provisions relating to the use of the Mutual Fund Deposits and Insurance Deposits, including loss allocation provisions relating to the Mutual Fund Deposits and Insurance Deposits and

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<sup>16</sup> Id.

<sup>17</sup> Section 13 of Rule 4, supra note 5.

<sup>18</sup> Section 14 of Rule 4, supra note 5.

provisions relating to the return of the Mutual Fund Deposit or Insurance Deposit to a Mutual Fund Participant or Insurance Participant, respectively, that withdraws from membership.

NSCC has never placed a requirement in Procedure XV for Fund Members to pay a Mutual Fund Deposit or for Insurance Participants to pay an Insurance Deposit.

Section I.(D) of Procedure XV states that the Clearing Fund Formula for each Fund Member, Insurance Carrier/Retirement Services Member and those Mutual Fund/Insurance Services Members who use Insurance & Retirement Services shall be established at such time as NSCC deems appropriate, however, NSCC has never established a Clearing Fund Formula for such NSCC Members.<sup>19</sup> In addition, NSCC currently does not plan to establish a Clearing Fund Formula for such NSCC Members.

NSCC believes that the provisions relating to whether it may require an NSCC Member to pay a Mutual Fund Deposit or Insurance Deposit and that it shall establish a Clearing Fund Formula for Fund Members, Insurance Carrier/Retirement Services Members and Mutual Fund/Insurance Services Members who use Insurance & Retirement Services are unnecessary and may be misleading since NSCC currently has no plans to establish such requirements. Given that NSCC would no longer be requiring Members and Mutual Fund/Insurance Services Members to pay a Mutual Fund Deposit and to avoid confusion relating to whether any other NSCC Members would be required to pay a Mutual Fund Deposit or an Insurance Deposit, NSCC is proposing to delete the provisions relating to Mutual Fund Deposits, Insurance Deposits and statements relating to whether NSCC shall establish a Clearing Fund Formula for Fund Members, Insurance

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<sup>19</sup> See Section I.(D) of Procedure XV, supra note 5.

Carrier/Retirement Services Members and Mutual Fund/Insurance Services Members who use Insurance & Retirement Services.

***(ii) Proposed Rule Changes***

NSCC is proposing to delete the definitions of Insurance Deposit and Mutual Fund Deposit in Rule 1 and delete Sections 13 and 14 of Rule 4 to remove the provisions relating to Mutual Fund Deposits and Insurance Deposits. NSCC is also proposing to delete Section I.(A)(4) of Procedure XV to remove the requirement that Members that use Mutual Fund Services pay a Mutual Fund Deposit and delete Section I.(C) of Procedure XV to remove the requirement that Mutual Fund/Insurance Services Members pay a Mutual Fund Deposit. NSCC would also delete Section I.(D) of Procedure XV to remove the statement that NSCC shall establish a Clearing Fund Formula for Fund Members, Insurance Carrier/Retirement Services Members and those Mutual Fund/Insurance Services Members who use Insurance & Retirement Services.

***(iii) Implementation***

NSCC expects to implement the proposed rule changes on or prior to January 31, 2022. As proposed, a legend would be added to Rule 1, Rule 4 and Procedure XV stating there are changes that became effective upon filing with the Commission but have not yet been implemented. The proposed legends would also state the date by which such changes would be implemented, the file number of this proposal, that NSCC will issue an Important Notice when the changes are implemented, and would state that once this proposal is implemented the legend would automatically be removed.

**2. Statutory Basis**

NSCC believes that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. In

particular, NSCC believes that the proposed rule changes are consistent with Section 17A(b)(3)(F) of the Act<sup>20</sup> and Rule 17Ad22(e)(6)(i) under the Act.

Section 17A(b)(3)(F) of the Act<sup>21</sup> requires, in part, that the Rules be designed to, among other things, remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions. The proposed revisions are consistent with this provision because the proposed revisions would remove a requirement to pay the Mutual Fund Deposit that NSCC has determined is not necessary to mitigate potential losses to NSCC associated with a default by an NSCC Member related to transactions in Mutual Fund Services. Removing the requirement of the Mutual Fund Deposits would allow Members and Mutual Fund/Insurance Services Members to use Mutual Fund Services without having to incur costs associated with making a Mutual Fund Deposit.

In addition, removing the references to the Mutual Fund Deposit and the Insurance Deposit and the references to establishing a Clearing Fund Formula for Fund Members, Insurance Carrier/Retirement Services Members and Mutual Fund/Insurance Services Members who use Insurance & Retirement Services would enhance the clarity of the Rules by removing provisions that are unnecessary and potentially misleading. Having clear and accurate Rules would help NSCC Members to better understand their rights and obligations regarding NSCC's services.

As such, NSCC believes the proposed rule changes are consistent with Section

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<sup>20</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>21</sup> Id.

17A(b)(3)(F) of the Act.<sup>22</sup>

Rule 17Ad-22(e)(6)(i) under the Act<sup>23</sup> requires that NSCC establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market.<sup>24</sup> NSCC has determined that the Mutual Fund Deposit is not necessary to address the risks relating to transactions in Mutual Fund Services by Members and Mutual Fund/Insurance Services Members. NSCC has never incurred a loss resulting from a default by an NSCC Member relating to transactions in Mutual Fund Services. In addition, for the reasons discussed above, the risk of NSCC occurring such a loss is remote and the amounts of the Mutual Fund Deposits are likely not sufficient to cover any such loss if such an unlikely event were to occur. Therefore, NSCC believes the proposed change is consistent with Rule 17Ad-22(e)(6)(i) under the Act.<sup>25</sup>

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

NSCC does not believe that the proposed changes would have an adverse impact, or impose a burden, on competition. These proposed changes would remove a requirement to pay the Mutual Fund Deposit for Mutual Fund/Insurance Services Members and Members that use Mutual Fund Services and would be removing

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<sup>22</sup> Id.

<sup>23</sup> 17 CFR 240.17Ad-22(e)(6)(i).

<sup>24</sup> Id.

<sup>25</sup> 17 CFR 240.17Ad-22(e)(6)(iii).

provisions relating to the Mutual Fund Deposit and Insurance Deposit and clearing fund that NSCC believes are not necessary. The proposed changes would not be adding any obligations on NSCC Members that are using NSCC's services. As such, the proposed changes would not impede any NSCC Members from engaging in the services or have an adverse impact on any NSCC Members. Moreover, the proposed changes may promote competition because the proposed changes could enhance participation in Mutual Fund Services by removing the obligation to pay a Mutual Fund Deposit.

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

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

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

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

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>26</sup> of the Act and paragraph (f)<sup>27</sup> of Rule 19b-4 thereunder. 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-NSCC-2021-015 on the subject line.

Paper Comments:

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

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<sup>26</sup> 15 U.S.C 78s(b)(3)(A).

<sup>27</sup> 17 CFR 240.19b-4(f).



All submissions should refer to File Number SR-NSCC-2021-015. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of NSCC and on DTCC's website (<https://dtcc.com/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 Number SR-NSCC-2021-015 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>28</sup>

Secretary

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<sup>28</sup> 17 CFR 200.30-3(a)(12).



**NATIONAL  
SECURITIES  
CLEARING  
CORPORATION**

# **RULES & PROCEDURES**

TEXT OF PROPOSED RULE CHANGE

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

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

NATIONAL SECURITIES CLEARING CORPORATION RULES

RULE 1. DEFINITIONS AND DESCRIPTIONS\*

**[Changes to this Rule 1, as amended by File No. SR-NSCC-2021-015 are available at <https://www.dtcc.com/-/media/Files/Downloads/legal/rulefilings/2021/NSCC/SR-NSCC-2021-015.pdf>. These changes became effective upon filing with the Securities and Exchange Commission but have not yet been implemented. These changes will be implemented on or prior to January 31, 2022. The Corporation will issue an Important Notice when these changes are implemented, and this legend will automatically be removed from this Rule 1.]**

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*Insurance Company*

The term “Insurance Company” means any Person who is subject to supervision or regulation pursuant to the provisions of state insurance law and issues insurance contracts.

**~~Insurance Deposit~~**

**~~The term “Insurance Deposit” has the meaning specified in Rule 4.~~**

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*Municipal Securities Brokers’ Broker*

The term “Municipal Securities Brokers’ Broker” means any municipal securities broker as defined in Rule 15c3-1(a)(8)(ii) of the Exchange Act.

**~~Mutual Fund Deposit~~**

**~~The term “Mutual Fund Deposit” has the meaning specified in Rule 4.~~**

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#### RULE 4. CLEARING FUND

*[Changes to this Rule 4, as amended by File No. SR-NSCC-2021-[ ] are available at [https://www.dtcc.com/-/media/Files/Downloads/legal/rulefilings/2021/NSCC/SR-NSCC-2021-\[ \].pdf](https://www.dtcc.com/-/media/Files/Downloads/legal/rulefilings/2021/NSCC/SR-NSCC-2021-[ ].pdf). These changes became effective upon filing with the Securities and Exchange Commission but have not yet been implemented. These changes will be implemented on or prior to January 31, 2022. The Corporation will issue an Important Notice when these changes are implemented, and this legend will automatically be removed from this Rule 4.]*

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~~SEC. 13. *Mutual Fund Deposits.* Each Member that uses the Mutual Fund Services to submit mutual fund purchases, redemptions, or exchanges to any Fund Member or another Member and each Mutual Fund/Insurance Services Member shall, and each Fund Member (collectively with such Members and Mutual Fund/Insurance Services Members, “Mutual Fund Participants”) may, be required to make a cash deposit to the Clearing Fund in the amounts determined in accordance with Procedure XV and other applicable Rules and Procedures (its “Mutual Fund Deposit” and, unless specified otherwise, for the purposes of these Rules and Procedures, Required Fund Deposits shall include Mutual Fund Deposits). In the case of a Member, its Mutual Fund Deposit shall be a separate and additional component of such Member’s deposit to the Clearing Fund but shall not constitute part of such Member’s Required Fund Deposit for purposes of calculating pro rata loss allocations pursuant to Section 4 of this Rule.~~

~~If any Mutual Fund Participant fails to satisfy any obligation to the Corporation relating to the Mutual Fund Services, notwithstanding the Corporation’s right to reverse in whole or in part any credit previously given to the contra side to any outstanding Mutual Fund Services transaction of the Mutual Fund/Insurance Services Member, the Corporation shall first apply such Mutual Fund Participant’s Mutual Fund Deposit. If after such application any loss or liability remains and if such Mutual Fund Participant is a Member that is not otherwise obligated to the Corporation, the Corporation shall apply such Member’s Actual Deposit in accordance with Section 3 of this Rule. The Corporation shall next allocate any further remaining loss or liability to the other Mutual Fund Participants in successive rounds of loss allocations, in each case up to the aggregate of Mutual Fund Deposits from non defaulting Mutual Fund Participants and, after the first such round, Mutual Fund Participants that have not submitted a Loss Allocation Withdrawal Notice in accordance with Section 6 of this Rule, following the procedures and subject to the timeframes set forth in Sections 4 and 6 of this Rule as if such Mutual Fund Participants are Members. If any loss or liability remains thereafter and there are no continuing Mutual Fund Participants, the Corporation shall proceed with loss allocations to Members for a Defaulting Member Event as set forth in Section 4 of this Rule. The application of any participant’s Mutual Fund Deposit shall not affect any other right or remedy of the Corporation under these Rules and Procedures or under applicable law.~~

~~A Mutual Fund Participant that elects to withdraw from membership shall be entitled to the return of its Mutual Fund Deposit no later than thirty (30) calendar days after all of its transactions have settled and all matured and contingent obligations to the Corporation for which such Mutual Fund Participant was responsible while a Mutual Fund Participant have been satisfied.~~

~~Without limitation of the specific provisions set forth in this section, the Corporation's rights, authority and obligations with respect to deposits to the Clearing Fund that are set forth in this Rule 4, including, without limitation, the treatment of Clearing Fund Cash, shall apply to Mutual Fund Deposits.~~

~~SEC. 14. *Insurance Deposits.* Each Mutual Fund/Insurance Services Member that uses the Insurance & Retirement Services and each Insurance Carrier/Retirement Services Member (collectively, "Insurance Participants") may be required to make a cash deposit to the Clearing Fund in the amounts determined in accordance with Procedure XV and other applicable Rules and Procedures (its "Insurance Deposit" and, unless specified otherwise, for the purposes of these Rules and Procedures, Required Fund Deposits shall include Insurance Deposits).~~

~~If any Insurance Participant fails to satisfy any obligation to the Corporation relating to the Insurance & Retirement Services, the Corporation shall first apply such Insurance Participant's Insurance Deposit. If after such application any loss or liability remains, the Corporation shall next allocate such remaining loss or liability to the other Insurance Participants in successive rounds of loss allocations, in each case up to the aggregate of Insurance Deposits from non defaulting Insurance Participants and, after the first such round, Insurance Participants that have not submitted a Loss Allocation Withdrawal Notice in accordance with Section 6 of this Rule, following the procedures and subject to the timeframes set forth in Sections 4 and 6 of this Rule as if such Insurance Participants are Members. If any loss or liability remains thereafter and there are no continuing Insurance Participants, the Corporation shall proceed with loss allocations to Members for a Defaulting Member Event as set forth in Section 4 of this Rule. The application of any Insurance Participant's Insurance Deposit shall not affect any other right or remedy of the Corporation under these Rules and Procedures or under applicable law.~~

~~An Insurance Participant that elects to withdraw from membership shall be entitled to the return of its Insurance Deposit no later than thirty (30) calendar days after all of its transactions have settled and all matured and contingent obligations to the Corporation for which such Insurance Participant was responsible while an Insurance Participant have been satisfied.~~

~~Without limitation of the specific provisions set forth in this section, the Corporation's rights, authority and obligations with respect to deposits to the~~

~~Clearing Fund that are set forth in this Rule 4, including, without limitation, the treatment of Clearing Fund Cash, shall apply to Insurance Deposits.~~

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PROCEDURE XV. CLEARING FUND FORMULA AND OTHER MATTERS<sup>1</sup>

**[Changes to this Procedure XV, as amended by File No. SR-NSCC-2021-015 are available at <https://www.dtcc.com/-/media/Files/Downloads/legal/rulefilings/2021/NSCC/SR-NSCC-2021-015.pdf>. These changes became effective upon filing with the Securities and Exchange Commission but have not yet been implemented. These changes will be implemented on or prior to January 31, 2022. The Corporation will issue an Important Notice when these changes are implemented, and this legend will automatically be removed from this Procedure XV.]**

I.(A) Clearing Fund Formula for Members

Each Member of the Corporation, except as otherwise provided in this Procedure, is required to contribute to the Clearing Fund maintained by the Corporation an amount calculated by the Corporation equal to:

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~~(4) For Mutual Fund Transactions~~

~~(a) \$5,000 if such Member has daily Mutual Fund Services settlement debits of no more than \$100,000 with respect to any one Fund Member;~~

~~or~~

~~(b) \$10,000 if such Member has daily Mutual Fund Services settlement debits of no more than \$500,000 with respect to any one Fund Member;~~

~~or~~

~~(c) \$20,000 if such Member has daily Mutual Fund Services settlement debits of more than \$500,000 with respect to any one Fund Member.~~

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~~I.(C) Clearing Fund Formula for Mutual Fund/Insurance Services Members who use the Mutual Fund Services.<sup>8</sup>~~

~~Each Mutual Fund/Insurance Services Member is required to contribute to the Clearing Fund maintained by the Corporation an amount, in cash, approximately equal to:~~

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<sup>1</sup> All calculations shall be performed daily or, if the Corporation deems it appropriate, on a more frequent basis.

<sup>8</sup> ~~This section applies to entities whose use of the Corporation's services are restricted to the Mutual Fund Services and/or the Insurance & Retirement Services. Entities which use or are permitted to use Services other than or in addition to the Mutual Fund Services and Insurance & Retirement Services are covered by section I.(A).~~



~~(a) \$5,000 if the Mutual Fund/Insurance Services Member has daily Mutual Fund Services settlement debits of no more than \$100,000 with respect to any one Fund Member;~~

~~or~~

~~(b) \$10,000 if the Mutual Fund/Insurance Services Member has daily Mutual Fund Services settlement debits of no more than \$500,000 with respect to any one Fund Member;~~

~~or~~

~~(c) \$20,000 if the Mutual Fund/Insurance Services Member has daily Mutual Fund Services settlement debits of more than \$500,000 with respect to any one Fund Member.~~

~~I.(D) Clearing Fund Formula for Fund Members, Insurance Carrier/Retirement Services Members and Certain Mutual Fund/Insurance Services Members~~

~~The Clearing Fund Formula for each Fund Member, Insurance Carrier/Retirement Services Member and those Mutual Fund/Insurance Services Members who use the Corporation's Insurance & Retirement Services shall be established at such time as the Corporation determines appropriate.~~

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