

Required fields are shown with yellow backgrounds and asterisks.

Filing by National Securities Clearing Corporation
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/> Extension of Time Period for Commission Action * <input type="checkbox"/> Date Expires * <input type="text"/>			Rule <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 type="checkbox"/> 19b-4(f)(6)		

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input checked="" type="checkbox"/> Section 806(e)(2) * <input type="checkbox"/>	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 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"/>
--	--

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 *

Add Remove View

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 *

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, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

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

Add Remove View

Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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 Advance Notice

(a) There is no rule text change proposed with this advance notice. However, included as Exhibit 3 to this filing is the Summary of Indicative Principal Terms and Conditions, dated March 22, 2021, for the Revolving Credit Agreement, to be dated as of May 4, 2021, among The Depository Trust Company (“DTC”), National Securities Clearing Corporation (“NSCC”), the lenders party thereto, and the agents.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Clearing Agency

This advance notice was approved by the NSCC Board of Directors on February 10, 2021.

3. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

Not applicable.

4. Clearing Agency’s Statement on Burden on Competition

Not applicable.

5. Clearing Agency’s Statement on Comments on the Advance Notice Received from Members, Participants, or Others

NSCC has not solicited or received any written comments to this advance notice. NSCC will notify the Commission of any written comments are received by NSCC.

6. Extension of Time Period for Commission Action

Not applicable.

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

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

(d) Not applicable.

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

Not applicable.

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

Not applicable.

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

Description of the Proposal

NSCC is filing this advance notice with the U.S. Securities and Exchange Commission (“Commission”) pursuant to Section 806(e)(1) of the Payment, Clearing and Settlement Supervision Act of 2010 (“Clearing Supervision Act”)¹ and Rule 19b-4(n)(1)(i) under the Securities Exchange Act of 1934, as amended (“Exchange Act”),² in order for NSCC to (1) renew its 364-day committed revolving line-of-credit with a syndicate of commercial lenders (“Credit Facility”), as described below (hereinafter, “Current Renewal”), and (2) enter into future annual renewals of the Credit Facility on substantially similar terms and conditions as the Current Renewal without needing to file an advance notice, also described below (hereinafter, “Future Renewals”).³

Background. NSCC and DTC maintain the Credit Facility as part of their liquidity risk management regime. The Credit Facility provides for both NSCC and DTC as borrowers, with an aggregate commitment of \$1.9 billion for DTC and the amount of any excess aggregate commitment for NSCC. As borrowers, NSCC and DTC are not jointly and severally liable, and each lender to the Credit Facility has a ratable commitment to each borrower. NSCC and DTC have separate collateral to secure their separate borrowings.

The Credit Facility is renewed annually, and from 2013 through 2017, NSCC and DTC each filed an advance notice each year with the Commission, pursuant to Section 806(e)(1) of the

¹ 12 U.S.C. 5465(e)(1).

² 17 CFR 240.19b-4(n)(1)(i).

³ Terms not defined herein are defined in the Rules and Procedures of NSCC (“Rules”), http://www.dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.pdf.

Clearing Supervision Act⁴ and Rule 19b-4(n)(1)(i) under the Exchange Act⁵ as part of that renewal process.⁶

In 2017, NSCC and DTC proposed and the Commission did not object to allowing NSCC and DTC to renew the Credit Facility, subject to specific conditions (“Evergreen Provisions”), without filing advance notices with the Commission.⁷ The Commission found that because the Evergreen Provisions would ensure that future annual renewals of the Credit Facility would be on substantially similar terms and conditions as the 2017 Credit Facility, to which the Commission did not object, associated advance notice filings would not be necessary.⁸ However, in the event that an annual renewal of the Credit Facility would not satisfy the Evergreen Provisions, such renewal would be subject to an advance notice filing.

Some of the Evergreen Provisions are specific to NSCC, some to DTC, and some to both.⁹ One of the NSCC specific Evergreen Provisions is that NSCC would not seek or accept for its portion of the Credit Facility an aggregate commitment amount 15 percent below the amount NSCC sought in 2017.¹⁰ In 2017, NSCC sought an aggregate commitment amount of \$12.1 billion for its portion of the Credit Facility, which established a 15 percent threshold amount of no less than \$10.285 billion.¹¹ Because NSCC now seeks an aggregate commitment amount of no more than \$10.1 billion for its portion of the Credit Facility, which is below that 15 percent threshold, it is filing this advance notice with the Commission.¹² DTC need not file an advance

⁴ 12 U.S.C. 5465(e)(1).

⁵ 17 CFR 240.19b-4(n)(1)(i).

⁶ Securities Exchange Act Release Nos. 69557 (May 10, 2013), 78 FR 28936 (May 16, 2013) (SR-NSCC-2013-803); 72131 (May 8, 2014), 79 FR 27654 (May 14, 2014) (SR-NSCC-2014-805); 74906 (May 7, 2015), 80 FR 27714 (May 14, 2015) (SR-NSCC-2015-801); 77750 (April 29, 2016), 81 FR 27181 (May 5, 2016) (SR-NSCC-2016-801); 80605 (May 5, 2017), 82 FR 21850 (May 10, 2017) (SR-NSCC-2017-802).

⁷ Securities Exchange Act Release No. 80605 (May 5, 2017), 82 FR 21850 (May 10, 2017) (SR-NSCC-2017-802) (“2017 Filing”).

⁸ Id.

⁹ See id.

¹⁰ Id.

¹¹ Id.

¹² NSCC is seeking a reduced commitment amount for a variety of reasons, including but not limited to NSCC’s ability to obtain additional liquidity from the issuance of commercial paper and extendable notes (see Securities Exchange Act Release Nos. 75730 (August 19, 2015), 80 FR 51638 (August 25, 2015) (SR-NSCC-2015-802); 82676 (February 9, 2018), 83 FR 6912 (February 15, 2018) (SR-NSCC-2017-807)), as well as

notice for its renewal of the Credit Facility because DTC would continue to comply with the Evergreen Provisions applicable to it.¹³ The only Evergreen Provision to which the Current Renewal would not satisfy is the 15 percent minimum threshold amount applicable to NSCC.

Current Renewal. The terms and conditions of the Current Renewal would be specified in the Revolving Credit Agreement, to be dated as of May 4, 2021, among DTC, NSCC, the lenders party thereto, the primary administrative and collateral agent, and the backup administrative and collateral agent (“Renewal Agreement”). Such terms and conditions would be substantially the same as the terms and conditions of the existing credit agreement, dated as of May 5, 2020 (“Existing Agreement”), except that pricing¹⁴ and the aggregate commitment amount for NSCC, as discussed above, is expected to change. The substantive terms of the Renewal Agreement are set forth in the Summary of Indicative Principal Terms and Conditions, dated March 22, 2021 (“Term Sheet”), which is not a public document but has been included as a confidential Exhibit 3 to this filing.

For the Current Renewal, NSCC and DTC are seeking an aggregate commitment amount of no more than \$12 billion for the entire Credit Facility, of which \$1.9 billion would be committed to DTC as borrower and any remainder to NSCC as borrower, as provided in the Existing Agreement. Although NSCC and DTC are seeking an aggregate commitment amount of no more than \$12 billion, the actual, final amount will depend on a number of factors, including the total commitment amount received from lenders (i.e., it is possible that the total aggregate commitments received is less than the \$12 billion sought); projected market volatility over the Credit Facility’s 364-day period (“Facility Period”); potential business initiatives over the Facility Period; projected availability of NSCC’s other liquidity resources (i.e., liquidity available via NSCC’s commercial paper, extendable notes, term debt,¹⁵ Clearing Fund, and Supplemental Liquidity Deposit (“SLD”) requirement¹⁶) over the Facility Period; and NSCC and DTC’s long-term liquidity strategy.

NSCC and DTC would continue not to be jointly and severally liable and each lender would have a ratable commitment to each borrower. DTC and NSCC would continue to provide separate collateral to secure their respective borrowings.

certain term debt (see Securities Exchange Act Release No. 88146 (February 7, 2020), 85 FR 8046 (February 12, 2020) (SR-NSCC-2019-802)) (“Liquidity Filings”).

¹³ See 2017 Filing, *supra* note 7.

¹⁴ “Pricing” of the Credit Facility refers to the charges and fees owed by the borrowers (i.e., NSCC and DTC) to the agents and lenders thereto with respect to the services performed by the agents, the commitment to lend, and the rate of interest applicable to any borrowing under the Credit Facility, among other such matters.

¹⁵ See Liquidity Filings, *supra* note 12.

¹⁶ Rule 4A, Rules, *supra* note 3.

Future Renewals. NSCC expects to continue to renew the Credit Facility annually on substantially similar terms and conditions as the Current Renewal. The terms and conditions of all Future Renewals would be specified in subsequent credit agreements among DTC, NSCC, the lenders party thereto, and the agents.

As has been standard practice for the Credit Facility renewals, in connection with all Future Renewals, changes would not be made to (a) the financial institution acting as the primary administrative agent; or (b) the commitment period, which would continue to be 364 days.

However, as was established with the 2017 Filing,¹⁷ in connection with all Future Renewals, changes may be made to (1) the aggregate commitment amount being sought for NSCC, so long as such amount does not vary more than 15 percent above or below the aggregate commitment amount being sought by NSCC under the Current Renewal (i.e., \$10.1 billion), which equates to an amount of no more than \$11.615 billion and no less than \$8.585 billion;¹⁸ (2) the syndicate, so long as all lenders party to Future Renewals are subject to the same credit review as those lenders party to the Current Renewal;¹⁹ (3) pricing and collateral haircuts,²⁰ so

¹⁷ Supra note 7.

¹⁸ NSCC continues to believe that a difference of no more than 15 percent, either above or below the aggregate commitment amount being sought by NSCC under the Current Renewal, would not constitute a material change in the nature or level of risk presented by NSCC requiring an advance notice filing (see supra notes 1 and 2) because (i) the standing requirement that NSCC maintain, in short, sufficient liquidity to cover the default of the member family that would generate the largest aggregate payment obligation, in extreme but plausible market conditions (see Rule 17Ad-22(e)(7)(i) under the Exchange Act, discussed below); (ii) availability of liquidity via NSCC's other liquidity resources (see Liquidity Filings, supra note 12 and see Rule 4A, Rules, supra note 3); and (iii) the average size of the commitments for NSCC in past Credit Facilities, which have ranged from a low of \$6.18 billion in 2011, to a high of \$13.47 billion in 2014, both of which predated NSCC's commercial paper and term-debt offerings (see Liquidity Filings, supra note 12), as well as the long-term establishment of NSCC's SLD requirement (Rule 4A, Rules, supra note 3), which currently covers monthly options expiry periods but has been proposed to cover all business days (see Securities Exchange Act Release No. 91347 (March 18, 2021), 86 FR 15750 (March 24, 2021) (SR-NSCC-2021-801). More recently, NSCC's Credit Facility commitment amounts have been \$12.05 (2018), \$12.05 (2019), and \$10.90 billion (2020).

¹⁹ Potential lenders to the Credit Facility are analyzed to determine whether the potential lender has an acceptable credit risk profile. Criteria assessed can include long-term credit ratings, credit default swap spreads, sovereign ratings (i.e., the rating of the country of the ultimate parent), as applicable, and any other factors that may suggest a stronger or weaker credit risk profile, as necessary.

²⁰ "Collateral haircuts" with respect to the collateral for any borrowing under the Credit Facility refers to the schedule of percentages of market value, by type of collateral,

long as such terms are consistent with the then current market practice; or (4) representations, warranties, covenants, terms of events of default,²¹ and other agreement provisions, so long as any changes are immaterial to NSCC as a borrower and do not impair NSCC's ability to borrow under the Credit Facility. NSCC would not consider such changes as materially altering the terms and conditions of the Credit Facility.

So long as NSCC does not make changes to the terms described in items (a) and (b) above in any Future Renewal, and so long as any Future Renewal adheres to the conditions described in items (1) through (4) above (together with items (a) and (b) above, "Proposed Evergreen Provisions"), NSCC would consider such Future Renewal as being on substantially the same terms and conditions as the Current Renewal, such that NSCC proposes that it would not need to file an advance notice pursuant to Section 806(e)(1) of the Clearing Supervision Act²² and Rule 19b-4(n)(1)(i) under the Exchange Act.²³ Except for the specific dollar amounts described above, the Proposed Evergreen Provisions are the same as the Evergreen Provisions applicable to NSCC in the 2017 Filing.²⁴

In the event that NSCC would have a Future Renewal that would not satisfy the Proposed Evergreen Provisions and, thus, would not be on terms and conditions that are substantially similar to the Current Renewal, such renewal would be subject to an advance notice filing by NSCC.

Expected Effect on Risks to the Clearing Agency, its Participants and the Market

The Renewal Agreement and its substantially similar predecessor agreements have been in place since the introduction of same day funds settlement at NSCC. The Current Renewal and Future Renewals subject to the Proposed Evergreen Provisions ("Evergreen Renewals") would continue to promote the reduction of liquidity risk to NSCC, its Members, and the securities market in general because they would help NSCC maintain sufficient liquidity resources to timely meet its settlement obligations with a high degree of confidence.

Management of Identified Risks

NSCC requires same day liquidity resources to cover the failure-to-settle of its Member, or affiliated family of Members, with the largest aggregate liquidity exposure. If a Member

determining the collateral value of that type of collateral, for purposes of securing a borrowing under the Credit Facility.

²¹ "Events of default" under the Credit Facility refers to those events or conditions which trigger or constitute a default of the borrowers under the agreement (e.g., a breach of terms or conditions or a failure to perform an obligation).

²² 12 U.S.C. 5465(e)(1).

²³ 17 CFR 240.19b-4(n)(1)(i).

²⁴ See 2017 Filing, supra note 7.

defaults on its end-of-day net settlement obligation, NSCC may borrow under the Credit Facility to enable it, if necessary, to fund settlement among non-defaulting Members, including settlement of guaranteed trades due to settle. Any borrowing would be secured principally by (i) securities deposited by Members in NSCC's Clearing Fund²⁵ (i.e., the Eligible Clearing Fund Securities, as defined in the Rules, pledged by Members to NSCC in lieu of cash Clearing Fund deposits) and (ii) securities cleared through NSCC's Continuous Net Settlement System that were intended for delivery to the defaulting Member upon payment of its net settlement obligation.

In addition to the Credit Facility and the Clearing Fund, NSCC has diversified its liquidity resources through the issuance of commercial paper and extendable notes, as well as certain term debt, as noted above.²⁶ Each of these liquidity resources are an integral part of NSCC's risk management structure, as they help provide NSCC with liquidity to complete end-of-day net funds settlement.

Because the Renewal Agreement would preserve substantially similar terms and conditions to the Existing Agreement, and Evergreen Renewals would preserve substantially similar terms and conditions to the Renewal Agreement, NSCC believes that the Current Renewal and Evergreen Renewals would not otherwise affect or alter the management of risk at NSCC.

Consistency with the Clearing Supervision Act

The objectives and principles of Section 805(b) of the Clearing Supervision Act are to promote of robust risk management, promote safety and soundness, reduce systemic risks, and support the stability of the broader financial system.²⁷ As discussed below, NSCC believes that the changes proposed in this advance notice are consistent with those objectives and principles.

Promoting Robust Risk Management. NSCC believes that the changes proposed in this advance notice are consistent with promoting robust risk management, particularly management of liquidity risk presented to NSCC. Renewing and maintaining the Credit Facility in the manner proposed would preserve the diversity of liquidity resources available to NSCC to help resolve a Member default. Additionally, allowing Evergreen Renewals without an additional advance notice would provide NSCC, its Members, and market participants with greater certainty regarding a key source of committed liquidity to meet NSCC's settlement obligations, thus mitigating NSCC's liquidity risk. Further, because the Proposed Evergreen Provisions would ensure that any Future Renewal would be substantially similar to the Current Renewal, NSCC believes that any such renewals would promote robust risk management by preserving the diversity in liquidity resources available to NSCC to help resolve a Member default in the same

²⁵ NSCC's Clearing Fund (which operates as its default fund) addresses potential exposure through a number of risk-based component charges calculated and assessed daily and includes additional liquidity deposits by certain Members pursuant to NSCC's Supplemental Liquidity Deposits rule. Rule 4(A), Rules, supra note 1.

²⁶ See Liquidity Filings, supra note 12.

²⁷ 12 U.S.C. 5464(b).

manner as the Current Renewal. As such, NSCC believes the proposed changes would promote robust risk management practices at NSCC, consistent with Section 805(b) of the Clearing Supervision Act.

Promoting Safety and Soundness. NSCC believes that the changes proposed in this advance notice are consistent with promoting safety and soundness. As described above, the Current Renewal would enable NSCC to maintain an additional liquidity resource in the event of a Member default. That resource promotes safety and soundness for Members and market participants because it would provide NSCC with readily available liquidity to help NSCC continue to meet its respective obligations in a timely fashion in the event of a Member default, thereby helping to contain losses and liquidity pressures from that default. Because the Proposed Evergreen Provisions would ensure that any Future Renewals would be substantially similar to the Current Renewal, even without NSCC filing an advance notice, such renewals also would promote safety and soundness for the same reasons. As such, NSCC believes the proposed changes would promote safety and soundness, consistent with Section 805(b) of the Clearing Supervision Act.

Reducing Systemic Risks and Supporting the Stability of the Broader Financial System. NSCC also believes that the proposed changes in this advance notice are consistent with reducing systemic risks and supporting the stability of the broader financial system. As mentioned above, allowing NSCC to enter the Current Renewal would enable NSCC, which has been designated a systemically important financial market utility,²⁸ to continue to maintain an additional liquidity resource that NSCC may access to help manage a Member default. In addition, because the Proposed Evergreen Provisions would ensure that any Future Renewals entered into without filing an advance notice would be on substantially similar terms as the Current Renewal, such renewals also would enable NSCC to continue to maintain an additional liquidity to help manage a Member default. Moreover, allowing Evergreen Renewals would reduce the risk of gaps in availability of this liquidity resource, providing increased certainty and stability for NSCC, its Members, and market participants regarding the availability of this liquidity risk management resource on an ongoing basis. Accordingly, NSCC believes that the proposed changes would help reduce systemic risk at NSCC, which in turn helps support the stability of the broader financial system, consistent with Section 805(b) of the Clearing Supervision Act.

NSCC also believes that the changes proposed in this advance notice are consistent with the requirements of Rule 17Ad-22(e)(7)(i) and (ii) under the Exchange Act.²⁹

²⁸ The Financial Stability Oversight Council designated NSCC a systemically important financial market utility on July 18, 2012. See Financial Stability Oversight Council 2012 Annual Report, Appendix A, <http://www.treasury.gov/initiatives/fsoc/Documents/2012%20Annual%20Report.pdf>.

²⁹ 17 CFR 240.17Ad-22(e)(7)(i) and (ii).

Rule 17Ad-22(e)(7)(i) requires a covered clearing agency, of which NSCC is one,³⁰ to “establish, implement, maintain and enforce written policies and procedures reasonably designed to ... [e]ffectively measure, monitor, and manage liquidity risk that arises in or is borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by, at a minimum ... [m]aintaining sufficient liquid resources at the minimum in all relevant currencies to effect same-day ... settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment of obligation for the covered clearing agency in extreme but plausible conditions.”³¹

As described above, the Current Renewal would continue to provide NSCC with a readily available liquidity resource, enabling NSCC to continue to meet its respective obligations in a timely fashion in the event of a Member default, thereby helping to contain losses and liquidity pressures from that default. Additionally, because the Proposed Evergreen Provisions would ensure that any Future Renewals would be substantially similar to the Current Renewal, such renewals also would provide NSCC with a readily available liquidity resource that would enable it to continue to meet its respective obligations in a timely fashion in the event of a Member default, thereby helping to contain losses and liquidity pressures from that default. Moreover, allowing NSCC to enter into Evergreen Renewals without filing an additional advance notice would reduce the risk of gaps in liquidity coverage and better enable NSCC to continually maintain sufficient liquidity resources. Therefore, the NSCC believes that the proposed changes in this advance notice are consistent with Rule 17Ad-22(e)(7)(i).

Rule 17Ad-22(e)(7)(ii) under the Exchange Act requires NSCC to “establish, implement, maintain and enforce written policies and procedures reasonably designed to ... [e]ffectively measure, monitor, and manage liquidity risk that arises in or is borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by, at a minimum ... [h]olding qualifying liquid resources sufficient to meet the minimum liquidity resource requirement under [Rule 17Ad-22(e)(7)(i) described above] in each relevant currency for which the covered clearing agency has payment obligations owed to clearing members.”³² Rule 17Ad-22(a)(14) under the Exchange Act defines “qualifying liquid resources” to include, among other things, lines of credit without material adverse change provisions, that are readily available and convertible into cash.³³

As described above, the Current Renewal would permit NSCC to enter into a committed line of credit that is designed to help ensure that NSCC has sufficient, readily-available qualifying liquid resources to meet the cash settlement obligations of its largest family of

³⁰ NSCC is a “covered clearing agency” as defined by Rule 17Ad-22(a)(5) under the Exchange Act. 17 CFR 240.17Ad-22(a)(5).

³¹ 17 CFR 240.17Ad-22(e)(7)(i).

³² 17 CFR 240.17Ad-22(e)(7)(ii).

³³ 17 CFR 240.17Ad-22(a)(14).

affiliated Members. Similarly, because the Proposed Evergreen Provisions would ensure that any Future Renewals would be substantially similar to the Current Renewal, such renewals also would permit NSCC to enter into a committed line of credit that is designed to help ensure that NSCC has sufficient, readily-available qualifying liquid resources to meet the cash settlement obligations of its largest family of affiliated Members. Accordingly, NSCC believes that the changes proposed in this advance notice are consistent with Rule 17Ad-22(e)(7)(ii).

Accelerated Commission Action Requested

Because the Term Sheet was not finalized until approximately six weeks prior to the expected effective date of the Current Renewal (which is standard practice), NSCC respectfully requests, as it has done previously,³⁴ that the Commission, pursuant to Section 806(e)(1)(I) of the Clearing Supervision Act,³⁵ notify NSCC that it has no objection to the proposed changes in this advance notice no later than April 26, 2021, which is five business days prior to the May 4, 2021 effective date of the Current Renewal. NSCC requests Commission action five business days in advance of the effective date in order to ensure that there is no period of time that NSCC operates without this essential liquidity resource, given its importance to NSCC risk management and protecting NSCC settlement.

11. Exhibits

Exhibit 1 – Not applicable.

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

Exhibit 2 – Not applicable.

Exhibit 3 – Summary of Indicative Principal Terms and Conditions, dated March 22, 2021, for the Revolving Credit Agreement, to be dated as of May 4, 2021, among DTC, NSCC, the lenders party thereto, and the agents. **Omitted and filed separately with the Commission. Confidential treatment of this Exhibit 3 pursuant to 17 CFR 240.24b-2 is being requested.**

Exhibit 4 – Not applicable.

Exhibit 5 – Not applicable.

³⁴ See supra note 6.

³⁵ 12 U.S.C. 5465(e)(1)(I).

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[_____]; File No. SR-NSCC-2021-802)

[DATE]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Advance Notice Regarding the Renewal of a 364-day Committed Revolving Line-of-Credit and Future Annual Renewals

Pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act entitled the Payment, Clearing, and Settlement Supervision Act of 2010 (“Clearing Supervision Act”)¹ and Rule 19b-4(n)(1)(i) under the Securities Exchange Act of 1934 (“Exchange Act”),² notice is hereby given that on April __, 2021, National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) the advance notice as described in Items I, II and III below, which Items have been prepared by the clearing agency. The Commission is publishing this notice to solicit comments on the Advance Notice from interested persons.

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

NSCC is filing this advance notice in order to (1) renew its 364-day committed revolving line-of-credit with a syndicate of commercial lenders (“Credit Facility”), as described below (hereinafter, “Current Renewal”), and (2) enter into future annual renewals of the Credit Facility on substantially similar terms and conditions as the

¹ 12 U.S.C. 5465(e)(1).

² 17 CFR 240.19b-4(n)(1)(i).

Current Renewal without needing to file an advance notice, also described below (hereinafter, “Future Renewals”).³

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

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the Advance Notice and discussed any comments it received on the Advance Notice. The text of these statements may be examined at the places specified in Item IV below. The clearing agency has prepared summaries, set forth in sections A and B below, of the most significant aspects of such statements.

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

NSCC has not solicited or received any written comments to this advance notice.

NSCC will notify the Commission of any written comments are received by NSCC.

(B) Advance Notice Filed Pursuant to Section 806(e) of the Clearing Supervision Act

Description of the Proposal

NSCC is filing this advance notice in order to enter into (1) the Current Renewal and (2) Future Renewals, as described below.

Background. NSCC and DTC maintain the Credit Facility as part of their liquidity risk management regime. The Credit Facility provides for both NSCC and DTC as borrowers, with an aggregate commitment of \$1.9 billion for DTC and the amount of any excess aggregate commitment for NSCC. As borrowers, NSCC and DTC are not

³ Terms not defined herein are defined in the Rules and Procedures of NSCC (“Rules”), http://www.dtcc.com/~media/Files/Downloads/legal/rules/nsc_rules.pdf.

jointly and severally liable, and each lender to the Credit Facility has a ratable commitment to each borrower. NSCC and DTC have separate collateral to secure their separate borrowings.

The Credit Facility is renewed annually, and from 2013 through 2017, NSCC and DTC each filed an advance notice each year with the Commission, pursuant to Section 806(e)(1) of the Clearing Supervision Act⁴ and Rule 19b-4(n)(1)(i) under the Exchange Act⁵ as part of that renewal process.⁶

In 2017, NSCC and DTC proposed and the Commission did not object to allowing NSCC and DTC to renew the Credit Facility, subject to specific conditions (“Evergreen Provisions”), without filing advance notices with the Commission.⁷ The Commission found that because the Evergreen Provisions would ensure that future annual renewals of the Credit Facility would be on substantially similar terms and conditions as the 2017 Credit Facility, to which the Commission did not object, associated advance notice filings would not be necessary.⁸ However, in the event that an annual renewal of the Credit

⁴ 12 U.S.C. 5465(e)(1).

⁵ 17 CFR 240.19b-4(n)(1)(i).

⁶ Securities Exchange Act Release Nos. 69557 (May 10, 2013), 78 FR 28936 (May 16, 2013) (SR-NSCC-2013-803); 72131 (May 8, 2014), 79 FR 27654 (May 14, 2014) (SR-NSCC-2014-805); 74906 (May 7, 2015), 80 FR 27714 (May 14, 2015) (SR-NSCC-2015-801); 77750 (April 29, 2016), 81 FR 27181 (May 5, 2016) (SR-NSCC-2016-801); 80605 (May 5, 2017), 82 FR 21850 (May 10, 2017) (SR-NSCC-2017-802).

⁷ Securities Exchange Act Release No. 80605 (May 5, 2017), 82 FR 21850 (May 10, 2017) (SR-NSCC-2017-802) (“2017 Filing”).

⁸ Id.

Facility would not satisfy the Evergreen Provisions, such renewal would be subject to an advance notice filing.

Some of the Evergreen Provisions are specific to NSCC, some to DTC, and some to both.⁹ One of the NSCC specific Evergreen Provisions is that NSCC would not seek or accept for its portion of the Credit Facility an aggregate commitment amount 15 percent below the amount NSCC sought in 2017.¹⁰ In 2017, NSCC sought an aggregate commitment amount of \$12.1 billion for its portion of the Credit Facility, which established a 15 percent threshold amount of no less than \$10.285 billion.¹¹ Because NSCC now seeks an aggregate commitment amount of no more than \$10.1 billion for its portion of the Credit Facility, which is below that 15 percent threshold, it is filing this advance notice with the Commission.¹² DTC need not file an advance notice for its renewal of the Credit Facility because DTC would continue to comply with the Evergreen Provisions applicable to it.¹³ The only Evergreen Provision to which the Current Renewal would not satisfy is the 15 percent minimum threshold amount applicable to NSCC.

⁹ See id.

¹⁰ Id.

¹¹ Id.

¹² NSCC is seeking a reduced commitment amount for a variety of reasons, including but not limited to NSCC's ability to obtain additional liquidity from the issuance of commercial paper and extendable notes (see Securities Exchange Act Release Nos. 75730 (August 19, 2015), 80 FR 51638 (August 25, 2015) (SR-NSCC-2015-802); 82676 (February 9, 2018), 83 FR 6912 (February 15, 2018) (SR-NSCC-2017-807)), as well as certain term debt (see Securities Exchange Act Release No. 88146 (February 7, 2020), 85 FR 8046 (February 12, 2020) (SR-NSCC-2019-802)) ("Liquidity Filings").

¹³ See 2017 Filing, supra note 7.

Current Renewal. The terms and conditions of the Current Renewal would be specified in the Revolving Credit Agreement, to be dated as of May 4, 2021, among DTC, NSCC, the lenders party thereto, the primary administrative and collateral agent, and the backup administrative and collateral agent (“Renewal Agreement”). Such terms and conditions would be substantially the same as the terms and conditions of the existing credit agreement, dated as of May 5, 2020 (“Existing Agreement”), except that pricing¹⁴ and the aggregate commitment amount for NSCC, as discussed above, is expected to change. The substantive terms of the Renewal Agreement are set forth in the Summary of Indicative Principal Terms and Conditions, dated March 22, 2021 (“Term Sheet”), which is not a public document but has been included as a confidential Exhibit 3 to this filing.

For the Current Renewal, NSCC and DTC are seeking an aggregate commitment amount of no more than \$12 billion for the entire Credit Facility, of which \$1.9 billion would be committed to DTC as borrower and any remainder to NSCC as borrower, as provided in the Existing Agreement. Although NSCC and DTC are seeking an aggregate commitment amount of no more than \$12 billion, the actual, final amount will depend on a number of factors, including the total commitment amount received from lenders (i.e., it is possible that the total aggregate commitments received is less than the \$12 billion sought); projected market volatility over the Credit Facility’s 364-day period (“Facility Period”); potential business initiatives over the Facility Period; projected availability of NSCC’s other liquidity resources (i.e., liquidity available via NSCC’s commercial paper,

¹⁴ “Pricing” of the Credit Facility refers to the charges and fees owed by the borrowers (i.e., NSCC and DTC) to the agents and lenders thereto with respect to the services performed by the agents, the commitment to lend, and the rate of interest applicable to any borrowing under the Credit Facility, among other such matters.

extendable notes, term debt,¹⁵ Clearing Fund, and Supplemental Liquidity Deposit (“SLD”) requirement¹⁶) over the Facility Period; and NSCC and DTC’s long-term liquidity strategy.

NSCC and DTC would continue not to be jointly and severally liable and each lender would have a ratable commitment to each borrower. DTC and NSCC would continue to provide separate collateral to secure their respective borrowings.

Future Renewals. NSCC expects to continue to renew the Credit Facility annually on substantially similar terms and conditions as the Current Renewal. The terms and conditions of all Future Renewals would be specified in subsequent credit agreements among DTC, NSCC, the lenders party thereto, and the agents.

As has been standard practice for the Credit Facility renewals, in connection with all Future Renewals, changes would not be made to (a) the financial institution acting as the primary administrative agent; or (b) the commitment period, which would continue to be 364 days.

However, as was established with the 2017 Filing,¹⁷ in connection with all Future Renewals, changes may be made to (1) the aggregate commitment amount being sought for NSCC, so long as such amount does not vary more than 15 percent above or below the aggregate commitment amount being sought by NSCC under the Current Renewal (i.e., \$10.1 billion), which equates to an amount of no more than \$11.615 billion and no

¹⁵ See Liquidity Filings, supra note 12.

¹⁶ Rule 4A, Rules, supra note 3.

¹⁷ Supra note 7.

less than \$8.585 billion;¹⁸ (2) the syndicate, so long as all lenders party to Future Renewals are subject to the same credit review as those lenders party to the Current Renewal;¹⁹ (3) pricing and collateral haircuts,²⁰ so long as such terms are consistent with the then current market practice; or (4) representations, warranties, covenants, terms of events of default,²¹ and other agreement provisions, so long as any changes are

¹⁸ NSCC continues to believe that a difference of no more than 15 percent, either above or below the aggregate commitment amount being sought by NSCC under the Current Renewal, would not constitute a material change in the nature or level of risk presented by NSCC requiring an advance notice filing (see supra notes 1 and 2) because (i) the standing requirement that NSCC maintain, in short, sufficient liquidity to cover the default of the member family that would generate the largest aggregate payment obligation, in extreme but plausible market conditions (see Rule 17Ad-22(e)(7)(i) under the Exchange Act, discussed below); (ii) availability of liquidity via NSCC's other liquidity resources (see Liquidity Filings, supra note 12 and see Rule 4A, Rules, supra note 3); and (iii) the average size of the commitments for NSCC in past Credit Facilities, which have ranged from a low of \$6.18 billion in 2011, to a high of \$13.47 billion in 2014, both of which predated NSCC's commercial paper and term-debt offerings (see Liquidity Filings, supra note 12), as well as the long-term establishment of NSCC's SLD requirement (Rule 4A, Rules, supra note 3), which currently covers monthly options expiry periods but has been proposed to cover all business days (see Securities Exchange Act Release No. 91347 (March 18, 2021), 86 FR 15750 (March 24, 2021) (SR-NSCC-2021-801). More recently, NSCC's Credit Facility commitment amounts have been \$12.05 (2018), \$12.05 (2019), and \$10.90 billion (2020).

¹⁹ Potential lenders to the Credit Facility are analyzed to determine whether the potential lender has an acceptable credit risk profile. Criteria assessed can include long-term credit ratings, credit default swap spreads, sovereign ratings (i.e., the rating of the country of the ultimate parent), as applicable, and any other factors that may suggest a stronger or weaker credit risk profile, as necessary.

²⁰ "Collateral haircuts" with respect to the collateral for any borrowing under the Credit Facility refers to the schedule of percentages of market value, by type of collateral, determining the collateral value of that type of collateral, for purposes of securing a borrowing under the Credit Facility.

²¹ "Events of default" under the Credit Facility refers to those events or conditions which trigger or constitute a default of the borrowers under the agreement (e.g., a breach of terms or conditions or a failure to perform an obligation).

immaterial to NSCC as a borrower and do not impair NSCC's ability to borrow under the Credit Facility. NSCC would not consider such changes as materially altering the terms and conditions of the Credit Facility.

So long as NSCC does not make changes to the terms described in items (a) and (b) above in any Future Renewal, and so long as any Future Renewal adheres to the conditions described in items (1) through (4) above (together with items (a) and (b) above, "Proposed Evergreen Provisions"), NSCC would consider such Future Renewal as being on substantially the same terms and conditions as the Current Renewal, such that NSCC proposes that it would not need to file an advance notice pursuant to Section 806(e)(1) of the Clearing Supervision Act²² and Rule 19b-4(n)(1)(i) under the Exchange Act.²³ Except for the specific dollar amounts described above, the Proposed Evergreen Provisions are the same as the Evergreen Provisions applicable to NSCC in the 2017 Filing.²⁴

In the event that NSCC would have a Future Renewal that would not satisfy the Proposed Evergreen Provisions and, thus, would not be on terms and conditions that are substantially similar to the Current Renewal, such renewal would be subject to an advance notice filing by NSCC.

Expected Effect on Risks to the Clearing Agency, its Participants and the Market

The Renewal Agreement and its substantially similar predecessor agreements have been in place since the introduction of same day funds settlement at NSCC. The

²² 12 U.S.C. 5465(e)(1).

²³ 17 CFR 240.19b-4(n)(1)(i).

²⁴ See 2017 Filing, supra note 7.

Current Renewal and Future Renewals subject to the Proposed Evergreen Provisions (“Evergreen Renewals”) would continue to promote the reduction of liquidity risk to NSCC, its Members, and the securities market in general because they would help NSCC maintain sufficient liquidity resources to timely meet its settlement obligations with a high degree of confidence.

Management of Identified Risks

NSCC requires same day liquidity resources to cover the failure-to-settle of its Member, or affiliated family of Members, with the largest aggregate liquidity exposure. If a Member defaults on its end-of-day net settlement obligation, NSCC may borrow under the Credit Facility to enable it, if necessary, to fund settlement among non-defaulting Members, including settlement of guaranteed trades due to settle. Any borrowing would be secured principally by (i) securities deposited by Members in NSCC’s Clearing Fund²⁵ (i.e., the Eligible Clearing Fund Securities, as defined in the Rules, pledged by Members to NSCC in lieu of cash Clearing Fund deposits) and (ii) securities cleared through NSCC’s Continuous Net Settlement System that were intended for delivery to the defaulting Member upon payment of its net settlement obligation.

In addition to the Credit Facility and the Clearing Fund, NSCC has diversified its liquidity resources through the issuance of commercial paper and extendable notes, as well as certain term debt, as noted above.²⁶ Each of these liquidity resources are an

²⁵ NSCC’s Clearing Fund (which operates as its default fund) addresses potential exposure through a number of risk-based component charges calculated and assessed daily and includes additional liquidity deposits by certain Members pursuant to NSCC’s Supplemental Liquidity Deposits rule. Rule 4(A), Rules, supra note 1.

²⁶ See Liquidity Filings, supra note 12.

integral part of NSCC's risk management structure, as they help provide NSCC with liquidity to complete end-of-day net funds settlement.

Because the Renewal Agreement would preserve substantially similar terms and conditions to the Existing Agreement, and Evergreen Renewals would preserve substantially similar terms and conditions to the Renewal Agreement, NSCC believes that the Current Renewal and Evergreen Renewals would not otherwise affect or alter the management of risk at NSCC.

Consistency with the Clearing Supervision Act

The objectives and principles of Section 805(b) of the Clearing Supervision Act are to promote of robust risk management, promote safety and soundness, reduce systemic risks, and support the stability of the broader financial system.²⁷ As discussed below, NSCC believes that the changes proposed in this advance notice are consistent with those objectives and principles.

Promoting Robust Risk Management. NSCC believes that the changes proposed in this advance notice are consistent with promoting robust risk management, particularly management of liquidity risk presented to NSCC. Renewing and maintaining the Credit Facility in the manner proposed would preserve the diversity of liquidity resources available to NSCC to help resolve a Member default. Additionally, allowing Evergreen Renewals without an additional advance notice would provide NSCC, its Members, and market participants with greater certainty regarding a key source of committed liquidity to meet NSCC's settlement obligations, thus mitigating NSCC's liquidity risk. Further, because the Proposed Evergreen Provisions would ensure that any Future Renewal would

²⁷ 12 U.S.C. 5464(b).

be substantially similar to the Current Renewal, NSCC believes that any such renewals would promote robust risk management by preserving the diversity in liquidity resources available to NSCC to help resolve a Member default in the same manner as the Current Renewal. As such, NSCC believes the proposed changes would promote robust risk management practices at NSCC, consistent with Section 805(b) of the Clearing Supervision Act.

Promoting Safety and Soundness. NSCC believes that the changes proposed in this advance notice are consistent with promoting safety and soundness. As described above, the Current Renewal would enable NSCC to maintain an additional liquidity resource in the event of a Member default. That resource promotes safety and soundness for Members and market participants because it would provide NSCC with readily available liquidity to help NSCC continue to meet its respective obligations in a timely fashion in the event of a Member default, thereby helping to contain losses and liquidity pressures from that default. Because the Proposed Evergreen Provisions would ensure that any Future Renewals would be substantially similar to the Current Renewal, even without NSCC filing an advance notice, such renewals also would promote safety and soundness for the same reasons. As such, NSCC believes the proposed changes would promote safety and soundness, consistent with Section 805(b) of the Clearing Supervision Act.

Reducing Systemic Risks and Supporting the Stability of the Broader Financial System. NSCC also believes that the proposed changes in this advance notice are consistent with reducing systemic risks and supporting the stability of the broader financial system. As mentioned above, allowing NSCC to enter the Current Renewal

would enable NSCC, which has been designated a systemically important financial market utility,²⁸ to continue to maintain an additional liquidity resource that NSCC may access to help manage a Member default. In addition, because the Proposed Evergreen Provisions would ensure that any Future Renewals entered into without filing an advance notice would be on substantially similar terms as the Current Renewal, such renewals also would enable NSCC to continue to maintain an additional liquidity to help manage a Member default. Moreover, allowing Evergreen Renewals would reduce the risk of gaps in availability of this liquidity resource, providing increased certainty and stability for NSCC, its Members, and market participants regarding the availability of this liquidity risk management resource on an ongoing basis. Accordingly, NSCC believes that the proposed changes would help reduce systemic risk at NSCC, which in turn helps support the stability of the broader financial system, consistent with Section 805(b) of the Clearing Supervision Act.

NSCC also believes that the changes proposed in this advance notice are consistent with the requirements of Rule 17Ad-22(e)(7)(i) and (ii) under the Exchange Act.²⁹

²⁸ The Financial Stability Oversight Council designated NSCC a systemically important financial market utility on July 18, 2012. See Financial Stability Oversight Council 2012 Annual Report, Appendix A, <http://www.treasury.gov/initiatives/fsoc/Documents/2012%20Annual%20Report.pdf>.

²⁹ 17 CFR 240.17Ad-22(e)(7)(i) and (ii).

Rule 17Ad-22(e)(7)(i) requires a covered clearing agency, of which NSCC is one,³⁰ to “establish, implement, maintain and enforce written policies and procedures reasonably designed to ... [e]ffectively measure, monitor, and manage liquidity risk that arises in or is borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by, at a minimum ... [m]aintaining sufficient liquid resources at the minimum in all relevant currencies to effect same-day ... settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment of obligation for the covered clearing agency in extreme but plausible conditions.”³¹

As described above, the Current Renewal would continue to provide NSCC with a readily available liquidity resource, enabling NSCC to continue to meet its respective obligations in a timely fashion in the event of a Member default, thereby helping to contain losses and liquidity pressures from that default. Additionally, because the Proposed Evergreen Provisions would ensure that any Future Renewals would be substantially similar to the Current Renewal, such renewals also would provide NSCC with a readily available liquidity resource that would enable it to continue to meet its respective obligations in a timely fashion in the event of a Member default, thereby helping to contain losses and liquidity pressures from that default. Moreover, allowing

³⁰ NSCC is a “covered clearing agency” as defined by Rule 17Ad-22(a)(5) under the Exchange Act. 17 CFR 240.17Ad-22(a)(5).

³¹ 17 CFR 240.17Ad-22(e)(7)(i).

NSCC to enter into Evergreen Renewals without filing an additional advance notice would reduce the risk of gaps in liquidity coverage and better enable NSCC to continually maintain sufficient liquidity resources. Therefore, the NSCC believes that the proposed changes in this advance notice are consistent with Rule 17Ad-22(e)(7)(i).

Rule 17Ad-22(e)(7)(ii) under the Exchange Act requires NSCC to “establish, implement, maintain and enforce written policies and procedures reasonably designed to ... [e]ffectively measure, monitor, and manage liquidity risk that arises in or is borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by, at a minimum ... [h]olding qualifying liquid resources sufficient to meet the minimum liquidity resource requirement under [Rule 17Ad-22(e)(7)(i) described above] in each relevant currency for which the covered clearing agency has payment obligations owed to clearing members.”³² Rule 17Ad-22(a)(14) under the Exchange Act defines “qualifying liquid resources” to include, among other things, lines of credit without material adverse change provisions, that are readily available and convertible into cash.³³

As described above, the Current Renewal would permit NSCC to enter into a committed line of credit that is designed to help ensure that NSCC has sufficient, readily-available qualifying liquid resources to meet the cash settlement obligations of its largest family of affiliated Members. Similarly, because the Proposed Evergreen Provisions would ensure that any Future Renewals would be substantially similar to the Current Renewal, such renewals also would permit NSCC to enter into a committed line of credit

³² 17 CFR 240.17Ad-22(e)(7)(ii).

³³ 17 CFR 240.17Ad-22(a)(14).

that is designed to help ensure that NSCC has sufficient, readily-available qualifying liquid resources to meet the cash settlement obligations of its largest family of affiliated Members. Accordingly, NSCC believes that the changes proposed in this advance notice are consistent with Rule 17Ad-22(e)(7)(ii).

Accelerated Commission Action Requested

Because the Term Sheet was not finalized until approximately six weeks prior to the expected effective date of the Current Renewal (which is standard practice), NSCC respectfully requests, as it has done previously,³⁴ that the Commission, pursuant to Section 806(e)(1)(I) of the Clearing Supervision Act,³⁵ notify NSCC that it has no objection to the proposed changes in this advance notice no later than April 26, 2021, which is five business days prior to the May 4, 2021 effective date of the Current Renewal. NSCC requests Commission action five business days in advance of the effective date in order to ensure that there is no period of time that NSCC operates without this essential liquidity resource, given its importance to NSCC risk management and protecting NSCC settlement.

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

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

³⁴ See supra note 6.

³⁵ 12 U.S.C. 5465(e)(1)(I).

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

The clearing agency shall post notice on its website of proposed changes that are implemented.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the advance notice is consistent with the Clearing Supervision Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NSCC-2021-802 on the subject line.

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-NSCC-2021-802. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the advance notice that are filed with the Commission, and all written communications relating to the advance notice between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for 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 (<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-NSCC-2021-802 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

By the Commission.

Secretary

PAGE REDACTED IN ITS ENTIRETY

PAGE REDACTED IN ITS ENTIRETY