

Required fields are shown with yellow backgrounds and asterisks.

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

File No. * SR 2022 - * 012

Amendment No. (req. for Amendments *)

Filing by National Securities Clearing Corporation

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

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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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 checked="" type="checkbox"/> 19b-4(f)(6)		
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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) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

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

Clarifications and Enhancements to NSCC's Rules & Procedures

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 * [Redacted] Last Name * [Redacted]

Title * [Redacted]

E-mail * RuleFilingAdmin@dtcc.com

Telephone * [Redacted] Fax [Redacted]

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 09/01/2022

(Title *)

By [Redacted]

[Redacted]

(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.

Date: 2022.09.01
15:04:52 -04'00'

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 EFFS website.

Form 19b-4 Information *

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Narrative - NSCC Rules Review - 202

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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Exh 1A - NSCC Rules Review - 2022-

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.

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.

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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Exh 5 - NSCC Rules Review - 2022-09

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item 1 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) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”),¹ and Rule 19b-4 thereunder,² the National Securities Clearing Corporation (“NSCC” or “Corporation”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to make a number of clarifications and enhancements to NSCC’s Rules & Procedures (“Rules”). Specifically, the proposed rule change would (i) clarify the confidential treatment of non-public information provided by participants to NSCC as part of ongoing membership requirements; (ii) remove outdated rules and procedures related to the maintenance of Sponsored Accounts; (iii) update NSCC’s rules concerning the acceptance and reliance upon instructions provided by its members; (iv) modify certain rules and procedures related to the DTCC Limit Monitoring Risk Management Tool; (v) remove rules, procedures, fees, and addenda related to the inactive Global Clearance Network Service; (vi) remove rules and fees related to the inactive International Link Service; (vii) clarify certain CNS Accounting Operation procedures; (viii) consolidate rules concerning the imposition of fines; (ix) clarify rules concerning admission to NSCC’s premises; (x) remove reference to certain special services no longer provided by NSCC; and (xi) modify procedures concerning two-sided trade data received from service bureaus. NSCC is filing the proposed rule change for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ The proposed modifications to the Rules are annexed hereto as Exhibit 5.⁵

(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 August 21, 2022 pursuant to delegated authority from NSCC’s Board of Directors.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

⁵ Capitalized terms not defined herein are defined in the Rules, available at http://dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.pdf.

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 to NSCC’s Rules to (i) clarify the confidential treatment of non-public information provided by participants to NSCC as part of ongoing membership requirements; (ii) remove outdated rules and procedures related to the maintenance of Sponsored Accounts; (iii) update NSCC’s rules concerning the acceptance and reliance upon instructions provided by its members; (iv) modify certain rules and procedures related to the DTCC Limit Monitoring Risk Management Tool; (v) remove rules, procedures, fees, and addenda related to the inactive Global Clearance Network Service; (vi) remove rules and fees related to the inactive International Link Service; (vii) clarify certain CNS Accounting Operation procedures; (viii) consolidate rules concerning the imposition of fines; (ix) clarify rules concerning admission to NSCC’s premises; (x) remove reference to certain special services no longer provided by NSCC; and (xi) modify procedures concerning two-sided trade data received from service bureaus. The proposed changes are discussed in detail below.

(i) Non-Public Information Provided to NSCC

NSCC recently adopted a proposed rule change to, among other things, revise certain provisions in the Rules relating to the confidentiality of information furnished by applicants, Members, and Limited Members (collectively, “participants”) to NSCC.⁶ Specifically, the proposed rule change amended Section 1.C. of Rule 2A (concerning membership application documents) and Section 3 of Rule 15 (concerning the examination and provision of adequate assurance of the financial responsibility and operational capability of participants) to state that “[a]ny non-public information furnished to the Corporation pursuant to this Rule shall be held in confidence as may be required under the laws, rules and regulations applicable to the Corporation that relate to the confidentiality of records.” The proposed rule change was intended to provide one standard that NSCC would apply uniformly to all participants, which assures participants that such information would be held in confidence with appropriate control.

In addition to the requirements above, Section 2 of Rule 2B requires that participants submit to NSCC certain reports and information as part of their ongoing membership requirements and monitoring. Some of the reporting required by Section 2 of Rule 2B includes non-public information of participants. NSCC proposes to add conforming language to Rule 2B to clarify the confidential treatment of such information consistent with the requirements of Section 1.C. of Rule 2A and Section 3 of Rule 15. Specifically, NSCC proposes to amend Section 2.A. of Rule 2B to state that “[a]ny non-public information furnished to the Corporation pursuant to this Rule shall be held in confidence as may be required under the laws, rules and regulations applicable to the Corporation that relate to the confidentiality of records.” Non-public information may include certain reports, opinions and tax and cybersecurity confirmations as required by the Rules and any material non-public information or other information and data

⁶ See Securities Exchange Act Release No. 93278 (October 8, 2021), 86 FR 57229 (October 14, 2021) (SR-NSCC-2021-007).

that NSCC reasonably determines is not made available to the public. The proposed change would further NSCC's goal of setting forth one consistent standard that NSCC would apply uniformly to all participants, which assures participants that such information would be held in confidence with appropriate control.

(ii) Sponsored Accounts

NSCC's Rules refer to certain circumstances under which it has the discretionary authority to maintain Sponsored Accounts for its Members at The Depository Trust Company ("DTC"). NSCC Rule 29 provides that each Member shall be a participant in a Qualified Securities Depository (i.e., DTC), and if at any time a Member is not a participant of a Qualified Securities Depository, NSCC may cease to act for such Member pursuant to Rule 46. Rule 29 further provides that, during the interim between the time that such Member is no longer a participant in a Qualified Securities Depository and the time that NSCC ceases to act for the Member, such Member shall be required to effect securities settlement by physical delivery or in the discretion of NSCC through a Sponsored Account. Rule 46 also provides that NSCC may require a participant to effect securities settlement through a Sponsored Account, rather than through its own depository account, as part of a suspension or prohibition/limitation on a participant's access to services.

In addition, Procedure IX.B. provides procedures for the maintenance of Sponsored Accounts, including for Members that may choose not to maintain direct membership in a Qualified Securities Depository. Pursuant to this procedure, each Member would be assigned a Qualified Securities Depository account number and use that account as if it were a direct participant of the Qualified Securities Depository; however, the account would be maintained under the jurisdiction of NSCC, which would be solely responsible for all liabilities arising from the use of the account including the payment of fees to the Qualified Securities Depository. NSCC Rule 4 also contains several footnotes concerning the treatment of Clearing Fund deposits for such Sponsored Accounts. Section 7 of Rule 4 further provides, in part, that NSCC may retain for up to two (2) years the Actual Deposits from Members who have Sponsored Accounts at DTC.

As a practical matter, NSCC does not currently maintain any Sponsored Accounts or plan to utilize Sponsored Accounts in the foreseeable future. NSCC does not believe there would be a plausible scenario in which it would continue to act for a Member and sponsor an account at DTC to settle for a Member whose participation at DTC has been terminated (whether voluntarily or through DTC ceasing to act for the participant). In the event that an NSCC Member was no longer an active participant of DTC, NSCC would cease to act for such Member pursuant to its authority under Rule 29 and implement the close-out procedures contemplated in Rule 18 and related NSCC policies and procedures (which do not currently contemplate the use of Sponsored Accounts). NSCC therefore proposes to revise the last sentence of Rule 29 to delete the reference to the discretionary use of Sponsored Accounts in a cease to act scenario and revise Rule 46 to remove references to NSCC's authority to require a participant to effect securities settlement through a Sponsored Account, rather than through its own depository account, as part of a suspension or prohibition/limitation of a participant's access to services.

NSCC also proposes to delete Procedure IX.B. concerning the procedures for maintaining Sponsored Accounts for Members that choose not to maintain direct membership in a Qualified Securities Depository. As noted above, NSCC Rule 29 provides that each Member shall be a participant in a Qualified Securities Depository, and all current NSCC Members are participants of DTC. NSCC does not currently provide Sponsored Accounts for any of its Members and does not have plans to provide any new Sponsored Accounts at this time.⁷ NSCC would also make conforming changes to Rule 4 to remove certain statements and footnotes discussed above regarding the collection and maintenance of Clearing Fund deposits for Sponsored Accounts, as these Rules would no longer be applicable in the absence of any Sponsored Accounts.

NSCC believes that removing rules and procedures related to inactive services and operations would improve the accuracy and clarity of its rules. Moreover, NSCC believes that removing Rules concerning inactive Sponsored Account services would avoid potential confusion with the sponsored membership program for NSCC's Securities Financing Transaction Clearing Service.⁸ If NSCC would choose to offer Sponsored Accounts or a similar arrangement at some point in the future, NSCC would reevaluate the rules, procedures and operational processes necessary to provide such a service and would file any necessary proposed rule changes to effectuate the change.

(iii) Reliance on Instructions

NSCC Rule 39 provides, in part, that NSCC may accept or rely upon any instruction given by a participant, including wire transmission, physical delivery or delivery by other means of instructions recorded on magnetic tape or other media or of facsimile copies of instructions, in form acceptable to NSCC and that NSCC will not act upon any instruction purporting to have been given by a participant which is received by wire transmission or in the form of facsimile copies or magnetic tape or media other than written instructions.

NSCC proposes to revise Rule 39 to remove specific examples of methods of transmission of instructions to NSCC and instead provide that NSCC may accept or rely upon any instruction given in any form acceptable to the Corporation and in accordance with the Procedures. The proposed rule change is intended to remove outdated methods of submitting instructions (such as magnetic tape and facsimile copies) from the Rules and provide flexibility to accommodate alternative and evolving methods of submitting instructions to NSCC. NSCC believes the proposed change would promote the ongoing accuracy and clarity of its rules regarding the transmission of instructions to NSCC.

⁷ NSCC believes that its last Sponsored Account may have been retired in 2011.

⁸ See Securities Exchange Act Release No. 95011 (May 31, 2022), 87 FR 34339 (June 6, 2022) (SR-NSCC-2022-003). NSCC also filed the Securities Financing Transaction Clearing Service proposal as an advance notice. See Securities Exchange Act Release No. 94998 (May 27, 2022), 87 FR 33528 (June 2, 2022) (SR-NSCC-2022-801).

(iv) DTCC Limit Monitoring Risk Management Tool

Background – DTCC Limit Monitoring

NSCC provides its Members with a risk management tool called DTCC Limit Monitoring, which enables Members to monitor trading activity on an intraday basis of their organizations and/or their correspondent firms through review of post-trade data.⁹ DTCC Limit Monitoring was implemented in 2014 in connection with industry-wide efforts to develop tools and strategies to mitigate and address the risks associated with the increasingly complex, interconnected, and automated market technology (such risks include, but are not limited to, trade input errors, software or trading algorithm errors, and inadequate controls for automated processes). Through this tool, NSCC Members can monitor trading activity against limits that they have pre-set and can review notifications that are delivered when these pre-set limits are being approached and when they are reached. The limit monitoring tool is intended to supplement Members' existing internal risk management processes. Any actions Members determine to take in response to these alerts is their responsibility and is taken away from NSCC. DTCC Limit Monitoring is primarily discussed in NSCC Rule 54 and Procedure XVII.

DTCC Limit Monitoring is available to all NSCC Members; however, Rule 54 requires certain categories of Members to register for the DTCC Limit Monitoring tool. This requirement applies to: (1) any Member that clears trades for others; (2) any Member that submits transactions to NSCC's trade capture system either as a Qualified Special Representative ("QSR") or Special Representative, pursuant to Procedure IV (Special Representative Service); and (3) any Member that has established a 9A/9B relationship in order to allow another Member (either a QSR or Special Representative) to submit locked in trade data on its behalf. In addition, Procedure XVII requires, among other things, that Members registered for DTCC Limit Monitoring create and establish Risk Entities,¹⁰ designate parameters to associate with each Risk Entity from certain parameter types that are established or permitted by NSCC from time to time, review reports and alerts on an on-going basis and, as necessary, modify established parameters to reflect current trading activities within each of their Risk Entities, and identify primary and secondary contacts within their firm for DTCC Limit Monitoring.

Proposed Changes to DTCC Limit Monitoring

NSCC proposes to revise Rule 54 and Procedure XVII to eliminate the requirement that certain specified Members register for the DTCC Limit Monitoring tool (i.e., those Members that clear trades for others, submit transactions to NSCC's trade capture system either as a QSR or Special Representative, or have established a 9A/9B relationship in order to allow another

⁹ See Securities Exchange Act Release Nos. 71637 (February 28, 2014), 79 FR 12708 (March 6, 2014) (File No. SR-NSCC-2013-12) and 77990 (June 3, 2016), 81 FR 37229 (June 9, 2016) (File No. SR-NSCC-2016-001).

¹⁰ "Risk Entities" are defined by each Member using filtering criteria to focus on activity it seeks to monitor through the risk management tool, including that of its correspondents, or other entities or groups for which LM Trade Date Data is processed through the Members' account, including relating to subgroups within its own business.

Member (either a QSR or Special Representative) to submit locked in trade data on its behalf). NSCC would also make conforming changes to Procedure XVII to reflect that Members *may*, but are *not required to*, create and establish Risk Entities, designate parameters to associate with each Risk Entity, review reports and alerts on an on-going basis and, as necessary, modify established parameters to reflect current trading activities within each of their Risk Entities, and identify primary and secondary contacts within their firm for DTCC Limit Monitoring. NSCC would continue to offer the DTCC Limit Monitoring tool to all Members on an optional basis but would no longer require that any particular type of Member register for the tool.

As noted above, DTCC Limit Monitoring was developed as part of a broader industry-wide effort to develop tools and strategies to mitigate and address trading risks. Since the implementation of DTCC Limit Monitoring in 2014, U.S. equity exchanges have also implemented risk controls to mitigate risks inherent with direct exchange transaction flow (such controls include, but are not limited to, credit limits, single order limits, and kill switch functionality).¹¹ These exchange risk controls are optional risk management tools made available to exchange members to assist them in monitoring and managing their risks. DTCC Limit Monitoring is intended to supplement, and not replace, a Member's own internal systems and procedures or other tools, such as exchange pre-trade risk controls, available to the Member for managing its risks. NSCC also notes that while certain Members are currently required to register for DTCC Limit Monitoring, NSCC does not require Members to take any particular action(s) based on the output of the limit monitoring tool and any actions Members determine to take in response to these alerts is their responsibility and is taken away from NSCC. Moreover, NSCC does not use the DTCC Limit Monitoring tool for internal risk management purposes. NSCC therefore believes that providing DTCC Limit Monitoring on an optional basis is appropriate and consistent with industry practice and would not impact NSCC's own risk management practices.

(v) Global Clearance Network Service

NSCC Rule 62 and Addendum U discuss the Global Clearance Network Service ("GCN Service"), which was a foreign clearing, settlement, and custody service provided by NSCC in conjunction with banks, trust companies and other entities to any Member that is qualified to be a customer of the bank, trust company or other entity. The GCN Service was previously offered by the International Securities Clearing Corporation ("ISCC"), which was a wholly owned

¹¹ See, e.g., Securities Exchange Act Release Nos. 88599 (April 8, 2020) 85 FR 20793 (April 14, 2020) (File No. SR-CboeBZX-2020-006); 88776 (April 29, 2020), 85 FR 26768 (May 5, 2020) (File No. SR-NYSE-2020-17); 88904 (May 19, 2020) 85 FR 31560 (May 26, 2020) (File No. SR-NYSEArca-2020-43); 89225 (July 6, 2020), 85 FR 41650 (July 10, 2020) (File No. SR-NASDAQ-2020-034).

subsidiary of NSCC. ISCC ultimately transferred its core settlement services, including the GCN Service, to NSCC and withdrew from registration as a clearing agency.¹²

The GCN Service is a dormant service that is no longer utilized by NSCC's Members. NSCC therefore proposes to delete Rule 62 and Addendum U and any related fees for the GCN Service in Addendum A. NSCC believes that removing rules, procedures, and fees for this inactive service would improve the accuracy and clarity of the Rules. In the event NSCC would choose to resume offering these services, NSCC would reevaluate the rules, procedures and operational processes necessary to provide such services and would file any necessary proposed rule changes to effectuate the change.

(vi) International Links

NSCC Rule 61 discusses the establishment of links and the provision of certain services to Foreign Financial Institutions, including the International Link Service ("ILS"). ILS, like the GCN Service, was a service provided by ISCC. ISCC previously sponsored accounts at DTC for the purpose of providing Foreign Financial Institutions with custody services for their U.S. securities. ISCC transferred the ILS service, along with the GCN Service, to NSCC when it withdrew from registration as a clearing agency.¹³

Rule 61 currently provides, in part, that to the extent NSCC provides access to a Qualified Security Depository (i.e., DTC) to a Foreign Financial Institution, the Foreign Financial Institution would be required to collateralize its settlement obligations to NSCC on such terms and by such means as agreed to between NSCC and the Foreign Financial Institution. NSCC does not currently sponsor accounts or otherwise provide Foreign Financial Institutions access to DTC. Foreign Financial Institutions that are participants of NSCC and that wish to access the services of DTC maintain direct participation at DTC. NSCC therefore proposes to delete this sentence of Rule 61 to improve the accuracy and clarity of the Rules. NSCC would also remove any fees related to ILS from Addendum A of the Rules. In the event NSCC would choose to resume offering these services, NSCC would reevaluate the rules, procedures and operational processes necessary to provide such services and would file any necessary proposed rule changes to effectuate the change.

(vii) CNS Accounting Operation Procedures

CNS Delivery Exemptions

Section D of Procedure VII describes the procedures for controlling deliveries to CNS, including the process by which Members may submit instructions to NSCC to indicate which short positions they do not wish to settle and should be exempt from delivery. CNS provides for two levels of Exemption. Level 1 Exemptions allow a Member to designate that a portion of its

¹² See Securities Exchange Act Release Nos. 42273, (December 27, 1999), 65 FR 311 (January 4, 2000) (File No. SR-NSCC-99-12) and 42274 (December 27, 1999) 65 FR 311 (January 4, 2000) (File No. SR-ISCC-99-01).

¹³ See id.

short positions should not be automatically settled against its current Designated Depository position or against any securities which may be received into its Designated Depository account as a result of other depository activity. Level 2 Exemptions allow a Member to designate that a portion of its short positions should not be automatically settled against its current depository position, but that such a position may be satisfied by certain types of “qualified” activity in its Designated Depository account. Section D.2(b) of Procedure VII discusses the four types of qualified activity, which allow short positions carrying Level 2 Exemptions to be settled. The list of qualified activity currently includes, among other things, “Receipts from Member’s Sub-Account,” which provides that, as a result of CNS sub-accounting, a Member may have a long position in a given security in one CNS account and a short position in the same security in another CNS account, and since both CNS accounts settle against a single Designated Depository Account, the Member may receive securities from itself.¹⁴

As noted above, Section D of Procedure VII is intended to describe certain Member rights and obligations associated with the *delivery* of securities to CNS. Section D.2. of the procedure specifically discusses the process by which Members submit instructions to indicate which short positions should be exempt from delivery and which types of qualified activity allow short positions carrying Level 2 Exemptions to be delivered and settled. Section D.2(b)(iv), however, discusses a hypothetical scenario under which a Member may *receive* securities, which is unrelated and not relevant to the delivery of securities to CNS under the exemption and qualified activity process. Accordingly, NSCC proposes to delete Section D.2(b)(iv) to remove potentially confusing procedural language and improve the clarity and accuracy of its Rules.¹⁵

Fully-Paid-For Accounts

NSCC’s processing day is divided into two parts. It begins with a night cycle on the evening preceding the settlement day for which the work is being processed and is followed by a day cycle which ends on the settlement day for which the work is processed. Pursuant to Section E.5 of Procedure VII, if a Member with a long position and/or a position due for settlement on the next settlement day, in anticipation of receiving securities from NSCC as a result of the allocation process during the night or day cycle for that settlement day, instructs that securities within its possession or control be delivered on the next day and is subsequently not allocated the securities during the night or following day cycle, the Member may, in order to meet the “customer segregation” requirements of Rule 15c3-3 of the Exchange Act, during the day cycle for that settlement day instruct NSCC to transfer the position(s) which has not been allocated to a

¹⁴ See Section D.2(b)(iv) of Procedure VII of the Rules, supra note 5.

¹⁵ CNS accounts settle against a single Designated Depository Account. It is therefore technically possible for a Member to deliver securities to NSCC’s CNS account to satisfy a short position in one CNS sub-account and receive the same securities from NSCC’s CNS account in connection with a long position in another CNS sub-account. However, the Member is not delivering those securities directly to, nor receiving securities directly from, itself, and the Member may also receive securities that have been delivered to NSCC’s CNS account by another Member. This is another potential area of confusion in the procedure that would be addressed by the proposed deletion of this rule text.

special CNS sub-account known as the “Long Free Account.” NSCC will then debit the Member’s settlement account for the value of the position in the Long Free Account.

Section E.5 of Procedure VII contains the following note related to the use of the Long Free Account.

The SEC has stated that: “any broker/dealer that takes advantage of proposed rule NSCC-82-25 must recall deficits from bank loan within shorter time intervals than those presently allowed under Rule 15c3-3(d)(1) of the Exchange Act. In the case of bank loan, broker/dealers will be expected to effect a recall within one Business Day instead of the two Business Days presently allowed.

The note refers to a no action letter issued by the Commission’s Division of Trading and Markets (formerly, the Division of Market Regulation)¹⁶ in connection with the adoption of Section E.5 of Procedure VII as part of NSCC filing SR-NSCC-82-25.¹⁷

NSCC proposes to delete this note from Section E.5 of Procedure VII. The note is potentially confusing to readers as it (1) refers to a “proposed rule” as opposed to the approved and existing procedure and (2) does not clearly identify the source of this Commission statement. Moreover, NSCC does not typically refer to Commission relief in its Rules. NSCC believes the proposed change would improve the clarity of its Rules and would conform Section E.5 of Procedure VII to more standard drafting practices for NSCC’s Rules.

CNS Buy-Ins

Section J.1 of Procedure VII provides procedures for the recording of buy-ins for equities and corporate debt securities in CNS. The procedure provides, in part, that a Buy-In Retransmittal Notice shall include such information as NSCC may determine from time to time, including the identity of the entity that initiated the Buy-In against the Member.

NSCC proposes to revise this section of the procedure to clarify that Buy-In Retransmittal Notices must also be submitted within such times as determined by NSCC. NSCC believes the proposed change would improve its Rules by aligning the procedural language and requirements for Buy-In Retransmittal Notices with other submission requirements in the Rules (e.g., the submission of Buy-In Intents in Section J of Procedure VII and the submission of Buy-In Executions in Procedure X) and maintaining consistency across those procedural requirements.

¹⁶ See Letter from Michael A. Macchiaroli, Assistant Director, Division of Market Regulation, Commission, to Robert J. Woldow, Senior Vice President and General Counsel, NSCC (May 10, 1984).

¹⁷ See Securities Exchange Act Release No. 20948 (May 10, 1984) (File No. SR-NSCC-82-25).

(viii) Payment of Fines

NSCC Rule 17 discusses NSCC’s authority to impose fines on a Member or Limited Member pursuant to the Rules. Pursuant to Rule 17, fines shall be payable in the manner and at such time as determined by NSCC from time to time. NSCC Rule 48 further discusses NSCC’s authority to impose disciplinary proceedings for a Member or Limited Member for, among other things, a violation of the Rules. Section 1 of Rule 48 provides that such disciplinary proceedings may result in expulsion, suspension, limitation of or restriction on activities, functions and operations, fine or censure or any other fitting sanction.

NSCC proposes to delete Rule 17 and relocate the second sentence of Rule 17, which provides that fines shall be payable in the manner and at such time as determined by the Corporation from time to time, to Section 1 of Rule 48. NSCC would also make conforming changes to Rule 15 and Rule 56 to update and remove references to Rule 17, respectively. The proposed change is intended to consolidate the rules concerning NSCC’s authority to impose fines into NSCC’s disciplinary proceeding rules. The proposed change is not intended to result in a substantive change to NSCC’s rules.

(ix) Admission to NSCC’s Premises

NSCC Rule 27 provides, in part, that no person will be permitted to enter the premises of NSCC as the representative of any participant unless he has first been approved by NSCC and has been issued such credentials as NSCC may from time to time prescribe and such credentials have not been canceled or revoked. In addition, such credentials must be shown on demand, and may limit the portions of the premises to which access is permitted thereunder.

NSCC proposes to revise Rule 27 to clarify that, to gain entry to NSCC’s premises, such credentials must be prominently displayed while on NSCC’s premises. NSCC does not believe the proposed change would impose any new material obligation or burden on its Members since Members are already required to obtain such credentials and display them on demand. The proposed rule change is simply intended to codify this expectation in NSCC’s rules.¹⁸

(x) Clearing Centers

Section A of Procedure IX discusses NSCC’s provision of Clearing Centers in a number of cities to serve as input/output facilities for the convenience of Members located near that office. Procedure XIII further provides definitions for the terms “Clearing Center”¹⁹ and

¹⁸ NSCC notes that the proposed rule change would also align the requirements of NSCC Rule 27 with the requirements of Rule 17 of the DTC Rules, By-Laws and Organization Certificate (“DTC Rules”), providing greater consistency across the rules of NSCC and DTC. The DTC Rules are available on DTCC’s public website, available at <https://www.dtcc.com/legal/rules-and-procedures>.

¹⁹ Clearing Center is defined as “[a] branch facility of the Corporation”

“Primary Clearing Center.”²⁰ These Clearing Centers were initially established at a time when both the trading and clearance and settlement of securities operated in a more regional manner. Given the evolution of technology since the adoption of these procedures and the evolution of the national clearance and settlement system, NSCC no longer maintains regional Clearing Centers. As a result, NSCC proposes to delete Section A of Procedure IX in its entirety and the definitions of “Clearing Center” and “Primary Clearing Center” from Procedure XIII. NSCC believes that removing these outdated procedures would improve the accuracy and clarity of its Rules.

(xi) Data From Service Bureaus

Addendum J to the Rules contains a policy statement regarding the acceptance of trade data from service bureaus. Pursuant to Section 6 of Rule 7, NSCC may accept locked-in trade data from self-regulatory organizations (“SROs”) on a Member’s behalf for input into NSCC’s comparison system. NSCC has also previously received requests from Members to accept two-sided trade data from service bureaus in addition to locked-in data. In response, NSCC adopted the policy statements in Addendum J setting forth certain minimum requirements for service bureaus submitting two-sided trade data to NSCC. NSCC proposes to make certain clarifying updates to the Addendum.

NSCC proposes to revise the introductory paragraph of Addendum J to clarify that NSCC may accept from SROs and/or service bureaus, initial or supplemental trade data on behalf of Members for input into the Corporation’s Comparison Operation *with respect to debt securities* to conform the language in the Addendum to the requirements of Section 6 of Rule 7.²¹ NSCC also proposes to delete references to specific SROs from which it accepts trade data (i.e., NYSE, NYSE Alternext, and National Association of Securities Dealers) and replace them with a more general reference to “SROs” to reflect that NSCC has accepted, and may continue to accept, additional SROs as trade data submitters since the adoption of the Addendum. In addition, NSCC would revise the Addendum to clarify that NSCC accepts locked-in trade data for input into its trade capture system, as opposed to its comparison system, as the transaction details for locked-in trades have already been compared.

Addendum J also currently requires that a service bureau must (a) be or become a Member of NSCC or (b) be affiliated with a Member of the Corporation. In addition, the Member (either the service bureau itself or its affiliated Member) must make a Clearing Fund deposit with NSCC. NSCC proposes to delete these requirements from Addendum J. NSCC does not believe it is necessary for a service bureau to be, or be affiliated with, a Member or to

²⁰ Primary Clearing Center is defined as “[t]he Clearing Center designated as such by a Member.”

²¹ All equity transactions submitted for processing to NSCC, other than those submitted through the Obligation Warehouse pursuant to Rule 51 and Procedure II.A, must be compared prior to submission and submitted to NSCC on a locked-in basis for trade recording. *See* Securities Exchange Act Release No. 70263 (August 27, 2013), 78 FR 54349 (September 3, 2013) (SR-NSCC-2013-09).

maintain a Clearing Fund deposit. The Members, on behalf of which a service bureau may submit trade data to NSCC, and not the service bureau itself, are responsible for maintaining Clearing Fund deposits to cover the risk associated with such positions. Moreover, the last paragraph of Addendum J currently provides NSCC with the authority to waive these requirements if it is in the best interests of NSCC and its Members to approve a service bureau so as to assure the prompt, accurate, and orderly processing and settlement of securities transactions or to otherwise carry out the functions of the Corporation. NSCC is proposing to eliminate these requirements as a matter of rule rather than through individual waivers, to improve the transparency and clarity of its Rules. Finally, NSCC would revise Addendum J to make certain non-substantive typographical corrections in the rule text.

(xii) Implementation Timeframe

NSCC would implement the proposed changes no earlier than thirty (30) days after the date of filing, or such shorter time as the Commission may designate. As proposed, a legend would be added to each affected Rule stating there are changes that were effective upon filing but have not yet been implemented. The legend would also state that NSCC would implement the proposed changes no earlier than thirty (30) days after the date of filing, or such shorter time as the Commission may designate. The legend would state that the legend would automatically be removed upon the implementation of the proposed changes. NSCC would announce the implementation date of the proposed changes by Important Notice posted to its website.

(b) Statutory Basis

NSCC believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. Section 17A(b)(3)(F) of Act²² requires, in part, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible. NSCC believes the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions and assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible for the reasons set for below.

Proposed Clarifications to Confidential Treatment of Reports and Information

The proposed addition of confidentiality requirements for participant information to NSCC Rule 2B would enable NSCC to maintain one consistent standard to apply uniformly to all participants, which assures participants that such information would be held in confidence with appropriate control. NSCC believes the proposed rule change would therefore help NSCC meet its obligations and help each participant better understand NSCC's obligations for maintaining the confidential information it shares with NSCC, which, in turn, may facilitate the sharing of such information and improve NSCC's ability to evaluate its participants' eligibility to maintain access to NSCC's clearance and settlement services. NSCC therefore believes the

²² 15 U.S.C. 78q-1(b)(3)(F).

proposed rule change is consistent with promoting the prompt and accurate clearance and settlement of securities transactions by NSCC.

Proposed Removal of Outdated Rules, Procedures, Addenda, and Fees

The proposed rule change would remove outdated rules, footnotes, procedures, addenda, and fees related to inactive services, such as the provision of Sponsored Accounts, Clearing Centers, and the GCN Service and ILS. The proposed rule change would also remove outdated methods of submitting instructions to NSCC from the Rules and provide flexibility to accommodate both current alternative and evolving methods of submitting instructions to NSCC. These proposed changes are designed to improve the accuracy, clarity, and transparency of the NSCC Rules and thereby allow Members to conduct their business more efficiently and effectively in accordance with the Rules, which NSCC believes would promote the prompt and accurate clearance and settlement of securities transactions.

Proposed Clarifications to CNS Accounting Operation Procedures

The proposed rule change would also provide additional clarity to NSCC's CNS Accounting Operation Procedures. First, the proposed rule change would clarify NSCC's rules by deleting Section D.2(b)(iv) of Procedure VII, which discusses the possibility of a Member receiving such securities from itself through CNS. As noted above, Section D of Procedure VII is intended to describe certain Member rights and obligations associated with the *delivery* of securities to CNS; however, Section D.2(b)(iv) discusses a hypothetical scenario under which a Member may *receive* securities, which is unrelated and not relevant to the delivery of securities to CNS under the exemption and qualified activity process and may cause confusion to readers trying to understand the delivery and exemption process.

Second, the proposed rule change would remove from Section E.5 of Procedure VII a note referring to a no action letter issued by the Commission's Division of Trading and Markets (formerly, the Division of Market Regulation).²³ As discussed above, the note, as currently drafted, is potentially confusing to readers as it (1) refers to a "proposed rule" as opposed to the approved and existing procedure and (2) does not clearly identify the source of this Commission statement. Moreover, NSCC does not typically refer to Commission relief in its Rules. NSCC therefore proposes to remove the note to improve the clarity of its Rules and conform Section E.5 of Procedure VII to more standard drafting practices for NSCC's Rules.

Third, to the proposed rule change would revise Section J.1 of Procedure VII concerning CNS Buy-Ins to clarify that Buy-In Retransmittal Notices must also be submitted within such times as determined by NSCC. NSCC believes the proposed change would improve its Rules by aligning the procedural language and requirements for Buy-In Retransmittal Notices with other submission requirements in the Rules (e.g., the submission of Buy-In Intents in Section J of Procedure VII and the submission of Buy-In Executions in Procedure X) and maintaining consistency across those procedural requirements.

²³ See supra note 16.

Taken together, the proposed changes are designed to improve the accuracy, clarity, and transparency of NSCC's CNS Accounting Operation Procedures. NSCC believes the proposed rule change would allow Members to conduct their business more efficiently and effectively in accordance with the Rules and thereby promote the prompt and accurate clearance and settlement of securities transactions.

Proposed Changes to Limit Monitoring Rules and Procedures

NSCC proposes to revise Rule 54 and Procedure XVII to eliminate the requirement that certain Members register for the DTCC Limit Monitoring tool. NSCC would also make conforming changes to Procedure XVII to reflect that Members may, but are not required to, create and establish Risk Entities, designate parameters to associate with each Risk Entity, review reports and alerts on an on-going basis and, as necessary, modify established parameters to reflect current trading activities within each of their Risk Entities, and identify primary and secondary contacts within their firm for DTCC Limit Monitoring.

As described above, DTCC Limit Monitoring was developed as part of a broader industry-wide effort to develop tools and strategies to mitigate and address trading risks. Since the implementation of DTCC Limit Monitoring in 2014, U.S. equity exchanges have also implemented risk controls to mitigate risks inherent with direct exchange transaction flow to assist them in monitoring and managing their risks.²⁴ Like these exchange risk controls, DTCC Limit Monitoring is intended to supplement, and not replace, a Member's own internal systems and procedures or other tools available to the Member for managing its risks. NSCC would continue to offer the DTCC Limit Monitoring tool to all Members on an optional basis but would no longer require that any particular type of Member register for the tool.

NSCC believes that providing DTCC Limit Monitoring on an optional basis is appropriate and consistent with industry practice. NSCC also notes that while certain Members are currently required to register for DTCC Limit Monitoring, NSCC does not require Members to take any particular actions based on the output of the limit monitoring tool. Any actions Members determine to take in response to these alerts is their responsibility and is taken away from NSCC. Moreover, NSCC does not use the DTCC Limit Monitoring tool for internal risk management purposes. NSCC therefore believes the proposed rule change would continue to provide NSCC's Members with a valuable risk management tool to supplement its own internal systems and procedures or other tools available to the Member for managing its risks, would not impact any actions taken as a result of Limit Monitoring, and would not have any impact on NSCC's own internal risk management activities. For these reasons, NSCC believes the proposed rule change would continue to promote the prompt and accurate clearance and settlement of securities transactions and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.

Proposed Changes Concerning Payment of Fines and Admission to Premises

NSCC proposes non-material clarifying changes to its Rules concerning the payment of fines and admission to its premises. NSCC would eliminate Rule 17 and relocate the second

²⁴ See supra note 11.

sentence of Rule 17, which provides that fines shall be payable in the manner and at such time as determined by the Corporation from time to time, to Section 1 of Rule 48 and make conforming changes to Rules 15 and 56. The proposed change is intended to consolidate the rules concerning NSCC's authority to impose fines into NSCC's disciplinary proceeding rules and is not intended to result in a substantive change to NSCC's rules. NSCC also proposes to revise Rule 27 to clarify that, to gain entry to NSCC's premises, a Member representative's credentials must be prominently displayed while on NSCC's premises. NSCC does not believe the proposed change would impose any new significant obligation or burden on its Members since Members are already required to obtain such credentials and display them on demand. The proposed changes are intended to improve the accuracy, clarity, and transparency of NSCC's Rules. The proposed changes would therefore allow Members to conduct their business more efficiently and effectively in accordance with the Rules and thereby promote the prompt and accurate clearance and settlement of securities transactions.

Proposed Clarifications to Service Bureau Requirements

Finally, NSCC proposes several clarifying changes to Addendum J, which contains a policy statement regarding the acceptance of trade data from service bureaus. Specifically, NSCC proposes to revise the introductory paragraph of the Addendum to clarify that NSCC may accept from SROs and/or service bureaus, initial or supplemental trade data on behalf of Members for input into the Corporation's Comparison Operation *with respect to debt securities* in conformance to Section 6 of Rule 7. NSCC also proposes to delete references to specific SROs from which it accepts trade data and replace them with a more general reference to "SROs" to reflect that NSCC has accepted, and may continue to accept, additional SROs as trade data submitters since the adoption of the Addendum. Additionally, NSCC would revise the Addendum to clarify that NSCC accepts locked-in trade data for input into its trade capture system, as opposed to its comparison system, as the transaction details for locked-in trades have already been compared. These proposed changes are designed to improve the accuracy, clarity, and transparency of the NSCC Rules and thereby allow Members to conduct their business more efficiently and effectively in accordance with the Rules, which NSCC believes would promote the prompt and accurate clearance and settlement of securities transactions.

NSCC would also delete the requirements that a service bureau must (a) be or become a Member of NSCC or (b) be affiliated with a Member of the Corporation and that the Member (either the service bureau itself or its affiliated Member) must make a Clearing Fund deposit with NSCC. NSCC does not believe it is necessary for a service bureau to be, or be affiliated with, a Member or to maintain a Clearing Fund deposit. The Members, on behalf of which a service bureau may submit trade data to NSCC, and not the service bureau itself, are responsible for maintaining Clearing Fund deposits to cover the risk associated with such positions. Moreover, the last paragraph of Addendum J currently provides NSCC with the authority to waive these requirements if it is in the best interests of NSCC and its Members to approve a service bureau so as to assure the prompt, accurate, and orderly processing and settlement of securities transactions or to otherwise carry out the functions of the Corporation. NSCC is proposing to eliminate these requirements as a matter of rule rather than through individual waivers, to improve the transparency and clarity of its Rules. NSCC believes the proposed rule change would continue to promote the prompt and accurate clearance and settlement of securities transactions and assure

the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.

For the reasons set forth above, NSCC believes the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions and assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible, consistent with the requirements of Section 17A(b)(3)(F) of the Act.²⁵

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

NSCC does not believe that the proposed rule change would have any adverse impact, or impose any burden, on competition. These proposed changes are primarily designed to improve the accuracy, clarity, and transparency of the NSCC Rules. Specifically, the proposed changes to Rule 2B concerning NSCC's obligations for maintaining non-public information of its participants would only impose obligations on NSCC and would not impose any new requirements on its participants. Additionally, the proposed rule change would remove outdated rules, procedures, addenda, and fees related to inactive services or outdated methods of data transmission. The proposed rule change would also provide additional clarity to NSCC's CNS Accounting Operation Procedures, which would be equally applicable to all Members. In addition, the proposed rule change would remove certain requirements around the DTCC Limit Monitoring tool and make Limit Monitoring available to all Members on an optional basis. The proposed changes to Limit Monitoring would not impose any new requirements on Members or impact the actions Members may take in response to Limit Monitoring. In addition, the proposed rule change would consolidate the rules concerning NSCC's authority to impose fines into NSCC's disciplinary proceeding rules and clarify the requirements for admission to NSCC's premises. These proposed changes would apply equally to all Members and would not impose any new significant obligation or burden on Members. The proposed changes are simply intended to improve the accuracy, clarity, and transparency of NSCC's Rules. Finally, the proposed rule change would clarify policy statements regarding the acceptance of trade data from service bureaus. These proposed changes would not impose any new requirements on service bureaus and would in fact eliminate certain requirements for service bureaus. The proposed rule change therefore would not materially affect the rights or obligations of NSCC Members. As a result, NSCC does not believe that the proposed rule change would have any adverse impact, or impose any burden, on competition.

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

²⁵ 15 U.S.C. 78q-1(b)(3)(F).

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 or 202-551-5777.

NSCC reserves the right to not 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)

(a) The proposed rule change is to take effect immediately upon filing pursuant to Section 19(b)(3)(A) of the Act²⁶ and Rule 19b-4(f)(6)²⁷ thereunder.

(b) The proposed rule change (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

As described above, the proposed rule change would remove outdated rules, procedures, addenda, and fees related to inactive services or outdated methods of data transmission. The cleanup and clarification of outdated rules would improve the accuracy, clarity, and transparency of NSCC's rules but would not have any material impact on NSCC's Members or its current operations. The proposed changes therefore would not significantly affect the protection of investors or the public interest or impose any significant burden on competition.

The proposed changes to NSCC Rule 2B concerning NSCC's obligations for maintaining non-public information of its participant would only impose obligations on NSCC and would not impose any new requirements its participants. The proposed rule change would codify in Rule 2B the standard for NSCC's handling of non-public information as set forth in Section 1.C. of Rule 2A and Section 3 of Rule 15, which is the same standard NSCC currently applies in practice to the treatment of such information provided pursuant to Rule 2B today. The proposed changes therefore would not significantly affect the protection of investors or the public interest or impose any significant burden on competition.

²⁶ 15 U.S.C. 78s(b)(3)(A).

²⁷ 17 CFR 240.19b-4(f)(6).

The proposed rule change would also provide additional clarity to NSCC's CNS Accounting Operation Procedures. These proposed changes would not impact NSCC's Rules, Procedures, or operations in way that would materially or adversely impact NSCC's Members or the operations of NSCC. As a result, the proposed rule change would not significantly affect the protection of investors or the public interest or impose any significant burden on competition.

The proposed changes to NSCC's Limit Monitoring rules and procedures would not impose any new requirements on Members but would instead apply those rules consistently across all NSCC Members. As discussed above, while certain Members are currently required to register for DTCC Limit Monitoring, NSCC does not require Members to take any particular actions based on the output of the limit monitoring tool. Any actions Members determine to take in response to these alerts is their responsibility and is taken away from NSCC. Moreover, NSCC does not use the DTCC Limit Monitoring tool for internal risk management purposes. Accordingly, the proposed rule change would not significantly affect the protection of investors or the public interest or impose any significant burden on competition.

The proposed changes to consolidate the rules concerning NSCC's authority to impose fines into NSCC's disciplinary proceeding rules and clarify the requirements for admission to NSCC's premises would apply equally to all Members and would not impose any new significant obligation or burden on Members. The proposed changes are simply intended to improve the accuracy, clarity, and transparency of NSCC's Rules. The proposed rule change therefore would not significantly affect the protection of investors or the public interest or impose any significant burden on competition.

Finally, the proposed rule change would clarify policy statements regarding the acceptance of trade data from service bureaus. The proposed rule change would not impose any new requirements on service bureaus and would in fact eliminate certain requirements for service bureaus. While the proposed rule change would eliminate the requirements that a service bureau must (a) be or become a Member of NSCC or (b) be affiliated with a Member of the Corporation and that the Member (whether the service bureau itself or its affiliated Member) make a Clearing Fund deposit with NSCC, NSCC does not believe these requirements are necessary. The risk associated with such positions are already covered by the Clearing Fund contributions of the Members for which the service bureau is submitting trade data.²⁸ As a result, the proposed rule change would not significantly affect the protection of investors or the public interest or impose any significant burden on competition.

NSCC has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business

²⁸ NSCC Rule 4, Section 1 requires, in part, that each Member make and maintain on an ongoing basis a deposit to the Clearing Fund, the amount of which is determined by NSCC in accordance with Procedure XV and other applicable Rules and Procedures (the "Required Fund Deposit"). See supra note 5.

days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.²⁹

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.

(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 Act

Not applicable.

10. Advance Notice Filed Pursuant to Section 806(e) of the Payment, Clearing, and Settlement Supervision Act of 2010

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.

²⁹ See 17 CFR 240.19b-4(f)(6).

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[_____]; File No. SR-NSCC-2022-012)

[DATE]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Make a Number of Clarifications and Enhancements to NSCC’s Rules & Procedures

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on September __, 2022, 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) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of amendments to NSCC’s Rules & Procedures (“Rules”) in order to make a number of clarifications and enhancements to the Rules. Specifically, the proposed rule change would (i) clarify the confidential treatment of non-public information provided by participants to NSCC as part of ongoing

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

membership requirements; (ii) remove outdated rules and procedures related to the maintenance of Sponsored Accounts; (iii) update NSCC's rules concerning the acceptance and reliance upon instructions provided by its members; (iv) modify certain rules and procedures related to the DTCC Limit Monitoring Risk Management Tool; (v) remove rules, procedures, fees, and addenda related to the inactive Global Clearance Network Service; (vi) remove rules and fees related to the inactive International Link Service; (vii) clarify certain CNS Accounting Operation procedures; (viii) consolidate rules concerning the imposition of fines; (ix) clarify rules concerning admission to NSCC's premises; (x) remove reference to certain special services no longer provided by NSCC; and (xi) modify procedures concerning two-sided trade data received from service bureaus. NSCC is filing the proposed rule change for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act⁵ and Rule 19b-4(f)(6) thereunder,⁶ and as described in greater detail below.⁷

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

⁵ 15 U.S.C. 78s(b)(3)(A).

⁶ 17 CFR 240.19b-4(f)(6).

⁷ Capitalized terms not defined herein are defined in the Rules, available at http://dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.pdf.

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 to NSCC’s Rules to (i) clarify the confidential treatment of non-public information provided by participants to NSCC as part of ongoing membership requirements; (ii) remove outdated rules and procedures related to the maintenance of Sponsored Accounts; (iii) update NSCC’s rules concerning the acceptance and reliance upon instructions provided by its members; (iv) modify certain rules and procedures related to the DTCC Limit Monitoring Risk Management Tool; (v) remove rules, procedures, fees, and addenda related to the inactive Global Clearance Network Service; (vi) remove rules and fees related to the inactive International Link Service; (vii) clarify certain CNS Accounting Operation procedures; (viii) consolidate rules concerning the imposition of fines; (ix) clarify rules concerning admission to NSCC’s premises; (x) remove reference to certain special services no longer provided by NSCC; and (xi) modify procedures concerning two-sided trade data received from service bureaus. The proposed changes are discussed in detail below.

(i) Non-Public Information Provided to NSCC

NSCC recently adopted a proposed rule change to, among other things, revise certain provisions in the Rules relating to the confidentiality of information furnished by applicants, Members, and Limited Members (collectively, “participants”) to NSCC.⁸

⁸ See Securities Exchange Act Release No. 93278 (October 8, 2021), 86 FR 57229 (October 14, 2021) (SR-NSCC-2021-007).

Specifically, the proposed rule change amended Section 1.C. of Rule 2A (concerning membership application documents) and Section 3 of Rule 15 (concerning the examination and provision of adequate assurance of the financial responsibility and operational capability of participants) to state that “[a]ny non-public information furnished to the Corporation pursuant to this Rule shall be held in confidence as may be required under the laws, rules and regulations applicable to the Corporation that relate to the confidentiality of records.” The proposed rule change was intended to provide one standard that NSCC would apply uniformly to all participants, which assures participants that such information would be held in confidence with appropriate control.

In addition to the requirements above, Section 2 of Rule 2B requires that participants submit to NSCC certain reports and information as part of their ongoing membership requirements and monitoring. Some of the reporting required by Section 2 of Rule 2B includes non-public information of participants. NSCC proposes to add conforming language to Rule 2B to clarify the confidential treatment of such information consistent with the requirements of Section 1.C. of Rule 2A and Section 3 of Rule 15. Specifically, NSCC proposes to amend Section 2.A. of Rule 2B to state that “[a]ny non-public information furnished to the Corporation pursuant to this Rule shall be held in confidence as may be required under the laws, rules and regulations applicable to the Corporation that relate to the confidentiality of records.” Non-public information may include certain reports, opinions and tax and cybersecurity confirmations as required by the Rules and any material non-public information or other information and data that NSCC reasonably determines is not made available to the public. The proposed change would further NSCC’s goal of setting forth one consistent standard that NSCC would

apply uniformly to all participants, which assures participants that such information would be held in confidence with appropriate control.

(ii) Sponsored Accounts

NSCC's Rules refer to certain circumstances under which it has the discretionary authority to maintain Sponsored Accounts for its Members at The Depository Trust Company ("DTC"). NSCC Rule 29 provides that each Member shall be a participant in a Qualified Securities Depository (i.e., DTC), and if at any time a Member is not a participant of a Qualified Securities Depository, NSCC may cease to act for such Member pursuant to Rule 46. Rule 29 further provides that, during the interim between the time that such Member is no longer a participant in a Qualified Securities Depository and the time that NSCC ceases to act for the Member, such Member shall be required to effect securities settlement by physical delivery or in the discretion of NSCC through a Sponsored Account. Rule 46 also provides that NSCC may require a participant to effect securities settlement through a Sponsored Account, rather than through its own depository account, as part of a suspension or prohibition/limitation on a participant's access to services.

In addition, Procedure IX.B. provides procedures for the maintenance of Sponsored Accounts, including for Members that may choose not to maintain direct membership in a Qualified Securities Depository. Pursuant to this procedure, each Member would be assigned a Qualified Securities Depository account number and use that account as if it were a direct participant of the Qualified Securities Depository; however, the account would be maintained under the jurisdiction of NSCC, which would be solely responsible for all liabilities arising from the use of the account including the payment of fees to the Qualified Securities Depository. NSCC Rule 4 also contains

several footnotes concerning the treatment of Clearing Fund deposits for such Sponsored Accounts. Section 7 of Rule 4 further provides, in part, that NSCC may retain for up to two (2) years the Actual Deposits from Members who have Sponsored Accounts at DTC.

As a practical matter, NSCC does not currently maintain any Sponsored Accounts or plan to utilize Sponsored Accounts in the foreseeable future. NSCC does not believe there would be a plausible scenario in which it would continue to act for a Member and sponsor an account at DTC to settle for a Member whose participation at DTC has been terminated (whether voluntarily or through DTC ceasing to act for the participant). In the event that an NSCC Member was no longer an active participant of DTC, NSCC would cease to act for such Member pursuant to its authority under Rule 29 and implement the close-out procedures contemplated in Rule 18 and related NSCC policies and procedures (which do not currently contemplate the use of Sponsored Accounts). NSCC therefore proposes to revise the last sentence of Rule 29 to delete the reference to the discretionary use of Sponsored Accounts in a cease to act scenario and revise Rule 46 to remove references to NSCC's authority to require a participant to effect securities settlement through a Sponsored Account, rather than through its own depository account, as part of a suspension or prohibition/limitation of a participant's access to services.

NSCC also proposes to delete Procedure IX.B. concerning the procedures for maintaining Sponsored Accounts for Members that choose not to maintain direct membership in a Qualified Securities Depository. As noted above, NSCC Rule 29 provides that each Member shall be a participant in a Qualified Securities Depository, and all current NSCC Members are participants of DTC. NSCC does not currently provide Sponsored Accounts for any of its Members and does not have plans to provide

any new Sponsored Accounts at this time.⁹ NSCC would also make conforming changes to Rule 4 to remove certain statements and footnotes discussed above regarding the collection and maintenance of Clearing Fund deposits for Sponsored Accounts, as these Rules would no longer be applicable in the absence of any Sponsored Accounts.

NSCC believes that removing rules and procedures related to inactive services and operations would improve the accuracy and clarity of its rules. Moreover, NSCC believes that removing Rules concerning inactive Sponsored Account services would avoid potential confusion with the sponsored membership program for NSCC's Securities Financing Transaction Clearing Service.¹⁰ If NSCC would choose to offer Sponsored Accounts or a similar arrangement at some point in the future, NSCC would reevaluate the rules, procedures and operational processes necessary to provide such a service and would file any necessary proposed rule changes to effectuate the change.

(iii) Reliance on Instructions

NSCC Rule 39 provides, in part, that NSCC may accept or rely upon any instruction given by a participant, including wire transmission, physical delivery or delivery by other means of instructions recorded on magnetic tape or other media or of facsimile copies of instructions, in form acceptable to NSCC and that NSCC will not act upon any instruction purporting to have been given by a participant which is received by

⁹ NSCC believes that its last Sponsored Account may have been retired in 2011.

¹⁰ See Securities Exchange Act Release No. 95011 (May 31, 2022), 87 FR 34339 (June 6, 2022) (SR-NSCC-2022-003). NSCC also filed the Securities Financing Transaction Clearing Service proposal as an advance notice. See Securities Exchange Act Release No. 94998 (May 27, 2022), 87 FR 33528 (June 2, 2022) (SR-NSCC-2022-801).

wire transmission or in the form of facsimile copies or magnetic tape or media other than written instructions.

NSCC proposes to revise Rule 39 to remove specific examples of methods of transmission of instructions to NSCC and instead provide that NSCC may accept or rely upon any instruction given in any form acceptable to the Corporation and in accordance with the Procedures. The proposed rule change is intended to remove outdated methods of submitting instructions (such as magnetic tape and facsimile copies) from the Rules and provide flexibility to accommodate alternative and evolving methods of submitting instructions to NSCC. NSCC believes the proposed change would promote the ongoing accuracy and clarity of its rules regarding the transmission of instructions to NSCC.

(iv) DTCC Limit Monitoring Risk Management Tool

Background – DTCC Limit Monitoring

NSCC provides its Members with a risk management tool called DTCC Limit Monitoring, which enables Members to monitor trading activity on an intraday basis of their organizations and/or their correspondent firms through review of post-trade data.¹¹ DTCC Limit Monitoring was implemented in 2014 in connection with industry-wide efforts to develop tools and strategies to mitigate and address the risks associated with the increasingly complex, interconnected, and automated market technology (such risks include, but are not limited to, trade input errors, software or trading algorithm errors, and inadequate controls for automated processes). Through this tool, NSCC Members can monitor trading activity against limits that they have pre-set and can review notifications

¹¹ See Securities Exchange Act Release Nos. 71637 (February 28, 2014), 79 FR 12708 (March 6, 2014) (File No. SR-NSCC-2013-12) and 77990 (June 3, 2016), 81 FR 37229 (June 9, 2016) (File No. SR-NSCC-2016-001).

that are delivered when these pre-set limits are being approached and when they are reached. The limit monitoring tool is intended to supplement Members' existing internal risk management processes. Any actions Members determine to take in response to these alerts is their responsibility and is taken away from NSCC. DTCC Limit Monitoring is primarily discussed in NSCC Rule 54 and Procedure XVII.

DTCC Limit Monitoring is available to all NSCC Members; however, Rule 54 requires certain categories of Members to register for the DTCC Limit Monitoring tool. This requirement applies to: (1) any Member that clears trades for others; (2) any Member that submits transactions to NSCC's trade capture system either as a Qualified Special Representative ("QSR") or Special Representative, pursuant to Procedure IV (Special Representative Service); and (3) any Member that has established a 9A/9B relationship in order to allow another Member (either a QSR or Special Representative) to submit locked in trade data on its behalf. In addition, Procedure XVII requires, among other things, that Members registered for DTCC Limit Monitoring create and establish Risk Entities,¹² designate parameters to associate with each Risk Entity from certain parameter types that are established or permitted by NSCC from time to time, review reports and alerts on an on-going basis and, as necessary, modify established parameters to reflect current trading activities within each of their Risk Entities, and identify primary and secondary contacts within their firm for DTCC Limit Monitoring.

¹² "Risk Entities" are defined by each Member using filtering criteria to focus on activity it seeks to monitor through the risk management tool, including that of its correspondents, or other entities or groups for which LM Trade Date Data is processed through the Members' account, including relating to subgroups within its own business.

Proposed Changes to DTCC Limit Monitoring

NSCC proposes to revise Rule 54 and Procedure XVII to eliminate the requirement that certain specified Members register for the DTCC Limit Monitoring tool (i.e., those Members that clear trades for others, submit transactions to NSCC's trade capture system either as a QSR or Special Representative, or have established a 9A/9B relationship in order to allow another Member (either a QSR or Special Representative) to submit locked in trade data on its behalf). NSCC would also make conforming changes to Procedure XVII to reflect that Members *may*, but are *not required to*, create and establish Risk Entities, designate parameters to associate with each Risk Entity, review reports and alerts on an on-going basis and, as necessary, modify established parameters to reflect current trading activities within each of their Risk Entities, and identify primary and secondary contacts within their firm for DTCC Limit Monitoring. NSCC would continue to offer the DTCC Limit Monitoring tool to all Members on an optional basis but would no longer require that any particular type of Member register for the tool.

As noted above, DTCC Limit Monitoring was developed as part of a broader industry-wide effort to develop tools and strategies to mitigate and address trading risks. Since the implementation of DTCC Limit Monitoring in 2014, U.S. equity exchanges have also implemented risk controls to mitigate risks inherent with direct exchange transaction flow (such controls include, but are not limited to, credit limits, single order limits, and kill switch functionality).¹³ These exchange risk controls are optional risk

¹³ See, e.g., Securities Exchange Act Release Nos. 88599 (April 8, 2020) 85 FR 20793 (April 14, 2020) (File No. SR-CboeBZX-2020-006); 88776 (April 29, 2020), 85 FR 26768 (May 5, 2020) (File No. SR-NYSE-2020-17); 88904 (May

management tools made available to exchange members to assist them in monitoring and managing their risks. DTCC Limit Monitoring is intended to supplement, and not replace, a Member's own internal systems and procedures or other tools, such as exchange pre-trade risk controls, available to the Member for managing its risks. NSCC also notes that while certain Members are currently required to register for DTCC Limit Monitoring, NSCC does not require Members to take any particular action(s) based on the output of the limit monitoring tool and any actions Members determine to take in response to these alerts is their responsibility and is taken away from NSCC. Moreover, NSCC does not use the DTCC Limit Monitoring tool for internal risk management purposes. NSCC therefore believes that providing DTCC Limit Monitoring on an optional basis is appropriate and consistent with industry practice and would not impact NSCC's own risk management practices.

(v) Global Clearance Network Service

NSCC Rule 62 and Addendum U discuss the Global Clearance Network Service ("GCN Service"), which was a foreign clearing, settlement, and custody service provided by NSCC in conjunction with banks, trust companies and other entities to any Member that is qualified to be a customer of the bank, trust company or other entity. The GCN Service was previously offered by the International Securities Clearing Corporation ("ISCC"), which was a wholly owned subsidiary of NSCC. ISCC ultimately transferred

19, 2020) 85 FR 31560 (May 26, 2020) (File No. SR-NYSEArca-2020-43); 89225 (July 6, 2020), 85 FR 41650 (July 10, 2020) (File No. SR-NASDAQ-2020-034).

its core settlement services, including the GCN Service, to NSCC and withdrew from registration as a clearing agency.¹⁴

The GCN Service is a dormant service that is no longer utilized by NSCC's Members. NSCC therefore proposes to delete Rule 62 and Addendum U and any related fees for the GCN Service in Addendum A. NSCC believes that removing rules, procedures, and fees for this inactive service would improve the accuracy and clarity of the Rules. In the event NSCC would choose to resume offering these services, NSCC would reevaluate the rules, procedures and operational processes necessary to provide such services and would file any necessary proposed rule changes to effectuate the change.

(vi) International Links

NSCC Rule 61 discusses the establishment of links and the provision of certain services to Foreign Financial Institutions, including the International Link Service ("ILS"). ILS, like the GCN Service, was a service provided by ISCC. ISCC previously sponsored accounts at DTC for the purpose of providing Foreign Financial Institutions with custody services for their U.S. securities. ISCC transferred the ILS service, along with the GCN Service, to NSCC when it withdrew from registration as a clearing agency.¹⁵

Rule 61 currently provides, in part, that to the extent NSCC provides access to a Qualified Security Depository (i.e., DTC) to a Foreign Financial Institution, the Foreign

¹⁴ See Securities Exchange Act Release Nos. 42273, (December 27, 1999), 65 FR 311 (January 4, 2000) (File No. SR-NSCC-99-12) and 42274 (December 27, 1999) 65 FR 311 (January 4, 2000) (File No. SR-ISCC-99-01).

¹⁵ See id.

Financial Institution would be required to collateralize its settlement obligations to NSCC on such terms and by such means as agreed to between NSCC and the Foreign Financial Institution. NSCC does not currently sponsor accounts or otherwise provide Foreign Financial Institutions access to DTC. Foreign Financial Institutions that are participants of NSCC and that wish to access the services of DTC maintain direct participation at DTC. NSCC therefore proposes to delete this sentence of Rule 61 to improve the accuracy and clarity of the Rules. NSCC would also remove any fees related to ILS from Addendum A of the Rules. In the event NSCC would choose to resume offering these services, NSCC would reevaluate the rules, procedures and operational processes necessary to provide such services and would file any necessary proposed rule changes to effectuate the change.

(vii) CNS Accounting Operation Procedures

CNS Delivery Exemptions

Section D of Procedure VII describes the procedures for controlling deliveries to CNS, including the process by which Members may submit instructions to NSCC to indicate which short positions they do not wish to settle and should be exempt from delivery. CNS provides for two levels of Exemption. Level 1 Exemptions allow a Member to designate that a portion of its short positions should not be automatically settled against its current Designated Depository position or against any securities which may be received into its Designated Depository account as a result of other depository activity. Level 2 Exemptions allow a Member to designate that a portion of its short positions should not be automatically settled against its current depository position, but that such a position may be satisfied by certain types of “qualified” activity in its Designated Depository account. Section D.2(b) of Procedure VII discusses the four types

of qualified activity, which allow short positions carrying Level 2 Exemptions to be settled. The list of qualified activity currently includes, among other things, “Receipts from Member’s Sub-Account,” which provides that, as a result of CNS sub-accounting, a Member may have a long position in a given security in one CNS account and a short position in the same security in another CNS account, and since both CNS accounts settle against a single Designated Depository Account, the Member may receive securities from itself.¹⁶

As noted above, Section D of Procedure VII is intended to describe certain Member rights and obligations associated with the *delivery* of securities to CNS. Section D.2. of the procedure specifically discusses the process by which Members submit instructions to indicate which short positions should be exempt from delivery and which types of qualified activity allow short positions carrying Level 2 Exemptions to be delivered and settled. Section D.2(b)(iv), however, discusses a hypothetical scenario under which a Member may *receive* securities, which is unrelated and not relevant to the delivery of securities to CNS under the exemption and qualified activity process. Accordingly, NSCC proposes to delete Section D.2(b)(iv) to remove potentially confusing procedural language and improve the clarity and accuracy of its Rules.¹⁷

¹⁶ See Section D.2(b)(iv) of Procedure VII of the Rules, supra note 7.

¹⁷ CNS accounts settle against a single Designated Depository Account. It is therefore technically possible for a Member to deliver securities to NSCC’s CNS account to satisfy a short position in one CNS sub-account and receive the same securities from NSCC’s CNS account in connection with a long position in another CNS sub-account. However, the Member is not delivering those securities directly to, nor receiving securities directly from, itself, and the Member may also receive securities that have been delivered to NSCC’s CNS account by another Member. This is another potential area of confusion in the procedure that would be addressed by the proposed deletion of this rule text.

Fully-Paid-For Accounts

NSCC's processing day is divided into two parts. It begins with a night cycle on the evening preceding the settlement day for which the work is being processed and is followed by a day cycle which ends on the settlement day for which the work is processed. Pursuant to Section E.5 of Procedure VII, if a Member with a long position and/or a position due for settlement on the next settlement day, in anticipation of receiving securities from NSCC as a result of the allocation process during the night or day cycle for that settlement day, instructs that securities within its possession or control be delivered on the next day and is subsequently not allocated the securities during the night or following day cycle, the Member may, in order to meet the "customer segregation" requirements of Rule 15c3-3 of the Exchange Act, during the day cycle for that settlement day instruct NSCC to transfer the position(s) which has not been allocated to a special CNS sub-account known as the "Long Free Account." NSCC will then debit the Member's settlement account for the value of the position in the Long Free Account.

Section E.5 of Procedure VII contains the following note related to the use of the Long Free Account.

The SEC has stated that: "any broker/dealer that takes advantage of proposed rule NSCC-82-25 must recall deficits from bank loan within shorter time intervals than those presently allowed under Rule 15c3-3(d)(1) of the Exchange Act. In the case of bank loan, broker/dealers will be expected to effect a recall within one Business Day instead of the two Business Days presently allowed.

The note refers to a no action letter issued by the Commission's Division of Trading and Markets (formerly, the Division of Market Regulation)¹⁸ in connection with the adoption of Section E.5 of Procedure VII as part of NSCC filing SR-NSCC-82-25.¹⁹

NSCC proposes to delete this note from Section E.5 of Procedure VII. The note is potentially confusing to readers as it (1) refers to a "proposed rule" as opposed to the approved and existing procedure and (2) does not clearly identify the source of this Commission statement. Moreover, NSCC does not typically refer to Commission relief in its Rules. NSCC believes the proposed change would improve the clarity of its Rules and would conform Section E.5 of Procedure VII to more standard drafting practices for NSCC's Rules.

CNS Buy-Ins

Section J.1 of Procedure VII provides procedures for the recording of buy-ins for equities and corporate debt securities in CNS. The procedure provides, in part, that a Buy-In Retransmittal Notice shall include such information as NSCC may determine from time to time, including the identity of the entity that initiated the Buy-In against the Member.

NSCC proposes to revise this section of the procedure to clarify that Buy-In Retransmittal Notices must also be submitted within such times as determined by NSCC. NSCC believes the proposed change would improve its Rules by aligning the procedural

¹⁸ See Letter from Michael A. Macchiaroli, Assistant Director, Division of Market Regulation, Commission, to Robert J. Woldow, Senior Vice President and General Counsel, NSCC (May 10, 1984).

¹⁹ See Securities Exchange Act Release No. 20948 (May 10, 1984) (File No. SR-NSCC-82-25).

language and requirements for Buy-In Retransmittal Notices with other submission requirements in the Rules (e.g., the submission of Buy-In Intents in Section J of Procedure VII and the submission of Buy-In Executions in Procedure X) and maintaining consistency across those procedural requirements.

(viii) Payment of Fines

NSCC Rule 17 discusses NSCC's authority to impose fines on a Member or Limited Member pursuant to the Rules. Pursuant to Rule 17, fines shall be payable in the manner and at such time as determined by NSCC from time to time. NSCC Rule 48 further discusses NSCC's authority to impose disciplinary proceedings for a Member of Limited Member for, among other things, a violation of the Rules. Section 1 of Rule 48 provides that such disciplinary proceedings may result in expulsion, suspension, limitation of or restriction on activities, functions and operations, fine or censure or any other fitting sanction.

NSCC proposes to delete Rule 17 and relocate the second sentence of Rule 17, which provides that fines shall be payable in the manner and at such time as determined by the Corporation from time to time, to Section 1 of Rule 48. NSCC would also make conforming changes to Rule 15 and Rule 56 to update and remove references to Rule 17, respectively. The proposed change is intended to consolidate the rules concerning NSCC's authority to impose fines into NSCC's disciplinary proceeding rules. The proposed change is not intended to result in a substantive change to NSCC's rules.

(ix) Admission to NSCC's Premises

NSCC Rule 27 provides, in part, that no person will be permitted to enter the premises of NSCC as the representative of any participant unless he has first been approved by NSCC and has been issued such credentials as NSCC may from time to time

prescribe and such credentials have not been canceled or revoked. In addition, such credentials must be shown on demand, and may limit the portions of the premises to which access is permitted thereunder.

NSCC proposes to revise Rule 27 to clarify that, to gain entry to NSCC's premises, such credentials must be prominently displayed while on NSCC's premises. NSCC does not believe the proposed change would impose any new material obligation or burden on its Members since Members are already required to obtain such credentials and display them on demand. The proposed rule change is simply intended to codify this expectation in NSCC's rules.²⁰

(x) Clearing Centers

Section A of Procedure IX discusses NSCC's provision of Clearing Centers in a number of cities to serve as input/output facilities for the convenience of Members located near that office. Procedure XIII further provides definitions for the terms "Clearing Center"²¹ and "Primary Clearing Center."²² These Clearing Centers were initially established at a time when both the trading and clearance and settlement of securities operated in a more regional manner. Given the evolution of technology since the adoption of these procedures and the evolution of the national clearance and

²⁰ NSCC notes that the proposed rule change would also align the requirements of NSCC Rule 27 with the requirements of Rule 17 of the DTC Rules, By-Laws and Organization Certificate ("DTC Rules"), providing greater consistency across the rules of NSCC and DTC. The DTC Rules are available on DTCC's public website, available at <https://www.dtcc.com/legal/rules-and-procedures>.

²¹ Clearing Center is defined as "[a] branch facility of the Corporation"

²² Primary Clearing Center is defined as "[t]he Clearing Center designated as such by a Member."

settlement system, NSCC no longer maintains regional Clearing Centers. As a result, NSCC proposes to delete Section A of Procedure IX in its entirety and the definitions of “Clearing Center” and “Primary Clearing Center” from Procedure XIII. NSCC believes that removing these outdated procedures would improve the accuracy and clarity of its Rules.

(xi) Data From Service Bureaus

Addendum J to the Rules contains a policy statement regarding the acceptance of trade data from service bureaus. Pursuant to Section 6 of Rule 7, NSCC may accept locked-in trade data from self-regulatory organizations (“SROs”) on a Member’s behalf for input into NSCC’s comparison system. NSCC has also previously received requests from Members to accept two-sided trade data from service bureaus in addition to locked-in data. In response, NSCC adopted the policy statements in Addendum J setting forth certain minimum requirements for service bureaus submitting two-sided trade data to NSCC. NSCC proposes to make certain clarifying updates to the Addendum.

NSCC proposes to revise the introductory paragraph of Addendum J to clarify that NSCC may accept from SROs and/or service bureaus, initial or supplemental trade data on behalf of Members for input into the Corporation’s Comparison Operation *with respect to debt securities* to conform the language in the Addendum to the requirements of Section 6 of Rule 7.²³ NSCC also proposes to delete references to specific SROs from which it accepts trade data (i.e., NYSE, NYSE Alternext, and National Association of

²³ All equity transactions submitted for processing to NSCC, other than those submitted through the Obligation Warehouse pursuant to Rule 51 and Procedure II.A, must be compared prior to submission and submitted to NSCC on a locked-in basis for trade recording. See Securities Exchange Act Release No. 70263 (August 27, 2013), 78 FR 54349 (September 3, 2013) (SR-NSCC-2013-09).

Securities Dealers) and replace them with a more general reference to “SROs” to reflect that NSCC has accepted, and may continue to accept, additional SROs as trade data submitters since the adoption of the Addendum. In addition, NSCC would revise the Addendum to clarify that NSCC accepts locked-in trade data for input into its trade capture system, as opposed to its comparison system, as the transaction details for locked-in trades have already been compared.

Addendum J also currently requires that a service bureau must (a) be or become a Member of NSCC or (b) be affiliated with a Member of the Corporation. In addition, the Member (either the service bureau itself or its affiliated Member) must make a Clearing Fund deposit with NSCC. NSCC proposes to delete these requirements from Addendum J. NSCC does not believe it is necessary for a service bureau to be, or be affiliated with, a Member or to maintain a Clearing Fund deposit. The Members, on behalf of which a service bureau may submit trade data to NSCC, and not the service bureau itself, are responsible for maintaining Clearing Fund deposits to cover the risk associated with such positions. Moreover, the last paragraph of Addendum J currently provides NSCC with the authority to waive these requirements if it is in the best interests of NSCC and its Members to approve a service bureau so as to assure the prompt, accurate, and orderly processing and settlement of securities transactions or to otherwise carry out the functions of the Corporation. NSCC is proposing to eliminate these requirements as a matter of rule rather than through individual waivers, to improve the transparency and clarity of its Rules. Finally, NSCC would revise Addendum J to make certain non-substantive typographical corrections in the rule text.

(xii) Implementation Timeframe

NSCC would implement the proposed changes no earlier than thirty (30) days after the date of filing, or such shorter time as the Commission may designate. As proposed, a legend would be added to each affected Rule stating there are changes that were effective upon filing but have not yet been implemented. The legend would also state that NSCC would implement the proposed changes no earlier than thirty (30) days after the date of filing, or such shorter time as the Commission may designate. The legend would state that the legend would automatically be removed upon the implementation of the proposed changes. NSCC would announce the implementation date of the proposed changes by Important Notice posted to its website.

2. Statutory Basis

NSCC believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. Section 17A(b)(3)(F) of Act²⁴ requires, in part, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible. NSCC believes the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions and assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible for the reasons set for below.

²⁴ 15 U.S.C. 78q-1(b)(3)(F).

Proposed Clarifications to Confidential Treatment of Reports and Information

The proposed addition of confidentiality requirements for participant information to NSCC Rule 2B would enable NSCC to maintain one consistent standard to apply uniformly to all participants, which assures participants that such information would be held in confidence with appropriate control. NSCC believes the proposed rule change would therefore help NSCC meet its obligations and help each participant better understand NSCC's obligations for maintaining the confidential information it shares with NSCC, which, in turn, may facilitate the sharing of such information and improve NSCC's ability to evaluate its participants' eligibility to maintain access to NSCC's clearance and settlement services. NSCC therefore believes the proposed rule change is consistent with promoting the prompt and accurate clearance and settlement of securities transactions by NSCC.

Proposed Removal of Outdated Rules, Procedures, Addenda, and Fees

The proposed rule change would remove outdated rules, footnotes, procedures, addenda, and fees related to inactive services, such as the provision of Sponsored Accounts, Clearing Centers, and the GCN Service and ILS. The proposed rule change would also remove outdated methods of submitting instructions to NSCC from the Rules and provide flexibility to accommodate both current alternative and evolving methods of submitting instructions to NSCC. These proposed changes are designed to improve the accuracy, clarity, and transparency of the NSCC Rules and thereby allow Members to conduct their business more efficiently and effectively in accordance with the Rules, which NSCC believes would promote the prompt and accurate clearance and settlement of securities transactions.

Proposed Clarifications to CNS Accounting Operation Procedures

The proposed rule change would also provide additional clarity to NSCC's CNS Accounting Operation Procedures. First, the proposed rule change would clarify NSCC's rules by deleting Section D.2(b)(iv) of Procedure VII, which discusses the possibility of a Member receiving such securities from itself through CNS. As noted above, Section D of Procedure VII is intended to describe certain Member rights and obligations associated with the *delivery* of securities to CNS; however, Section D.2(b)(iv) discusses a hypothetical scenario under which a Member may *receive* securities, which is unrelated and not relevant to the delivery of securities to CNS under the exemption and qualified activity process and may cause confusion to readers trying to understand the delivery and exemption process.

Second, the proposed rule change would remove from Section E.5 of Procedure VII a note referring to a no action letter issued by the Commission's Division of Trading and Markets (formerly, the Division of Market Regulation).²⁵ As discussed above, the note, as currently drafted, is potentially confusing to readers as it (1) refers to a "proposed rule" as opposed to the approved and existing procedure and (2) does not clearly identify the source of this Commission statement. Moreover, NSCC does not typically refer to Commission relief in its Rules. NSCC therefore proposes to remove the note to improve the clarity of its Rules and conform Section E.5 of Procedure VII to more standard drafting practices for NSCC's Rules.

Third, the proposed rule change would revise Section J.1 of Procedure VII concerning CNS Buy-Ins to clarify that Buy-In Retransmittal Notices must also be

²⁵ See supra note 18.

submitted within such times as determined by NSCC. NSCC believes the proposed change would improve its Rules by aligning the procedural language and requirements for Buy-In Retransmittal Notices with other submission requirements in the Rules (e.g., the submission of Buy-In Intents in Section J of Procedure VII and the submission of Buy-In Executions in Procedure X) and maintaining consistency across those procedural requirements.

Taken together, the proposed changes are designed to improve the accuracy, clarity, and transparency of NSCC's CNS Accounting Operation Procedures. NSCC believes the proposed rule change would allow Members to conduct their business more efficiently and effectively in accordance with the Rules and thereby promote the prompt and accurate clearance and settlement of securities transactions.

Proposed Changes to Limit Monitoring Rules and Procedures

NSCC proposes to revise Rule 54 and Procedure XVII to eliminate the requirement that certain Members register for the DTCC Limit Monitoring tool. NSCC would also make conforming changes to Procedure XVII to reflect that Members may, but are not required to, create and establish Risk Entities, designate parameters to associate with each Risk Entity, review reports and alerts on an on-going basis and, as necessary, modify established parameters to reflect current trading activities within each of their Risk Entities, and identify primary and secondary contacts within their firm for DTCC Limit Monitoring.

As described above, DTCC Limit Monitoring was developed as part of a broader industry-wide effort to develop tools and strategies to mitigate and address trading risks. Since the implementation of DTCC Limit Monitoring in 2014, U.S. equity exchanges

have also implemented risk controls to mitigate risks inherent with direct exchange transaction flow to assist them in monitoring and managing their risks.²⁶ Like these exchange risk controls, DTCC Limit Monitoring is intended to supplement, and not replace, a Member's own internal systems and procedures or other tools available to the Member for managing its risks. NSCC would continue to offer the DTCC Limit Monitoring tool to all Members on an optional basis but would no longer require that any particular type of Member register for the tool.

NSCC believes that providing DTCC Limit Monitoring on an optional basis is appropriate and consistent with industry practice. NSCC also notes that while certain Members are currently required to register for DTCC Limit Monitoring, NSCC does not require Members to take any particular actions based on the output of the limit monitoring tool. Any actions Members determine to take in response to these alerts is their responsibility and is taken away from NSCC. Moreover, NSCC does not use the DTCC Limit Monitoring tool for internal risk management purposes. NSCC therefore believes the proposed rule change would continue to provide NSCC's Members with a valuable risk management tool to supplement its own internal systems and procedures or other tools available to the Member for managing its risks, would not impact any actions taken as a result of Limit Monitoring, and would not have any impact on NSCC's own internal risk management activities. For these reasons, NSCC believes the proposed rule change would continue to promote the prompt and accurate clearance and settlement of securities transactions and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.

²⁶ See supra note 13.

Proposed Changes Concerning Payment of Fines and Admission to Premises

NSCC proposes non-material clarifying changes to its Rules concerning the payment of fines and admission to its premises. NSCC would eliminate Rule 17 and relocate the second sentence of Rule 17, which provides that fines shall be payable in the manner and at such time as determined by the Corporation from time to time, to Section 1 of Rule 48 and make conforming changes to Rules 15 and 56. The proposed change is intended to consolidate the rules concerning NSCC's authority to impose fines into NSCC's disciplinary proceeding rules and is not intended to result in a substantive change to NSCC's rules. NSCC also proposes to revise Rule 27 to clarify that, to gain entry to NSCC's premises, a Member representative's credentials must be prominently displayed while on NSCC's premises. NSCC does not believe the proposed change would impose any new significant obligation or burden on its Members since Members are already required to obtain such credentials and display them on demand. The proposed changes are intended to improve the accuracy, clarity, and transparency of NSCC's Rules. The proposed changes would therefore allow Members to conduct their business more efficiently and effectively in accordance with the Rules and thereby promote the prompt and accurate clearance and settlement of securities transactions.

Proposed Clarifications to Service Bureau Requirements

Finally, NSCC proposes several clarifying changes to Addendum J, which contains a policy statement regarding the acceptance of trade data from service bureaus. Specifically, NSCC proposes to revise the introductory paragraph of the Addendum to clarify that NSCC may accept from SROs and/or service bureaus, initial or supplemental trade data on behalf of Members for input into the Corporation's Comparison Operation

with respect to debt securities in conformance to Section 6 of Rule 7. NSCC also proposes to delete references to specific SROs from which it accepts trade data and replace them with a more general reference to “SROs” to reflect that NSCC has accepted, and may continue to accept, additional SROs as trade data submitters since the adoption of the Addendum. Additionally, NSCC would revise the Addendum to clarify that NSCC accepts locked-in trade data for input into its trade capture system, as opposed to its comparison system, as the transaction details for locked-in trades have already been compared. These proposed changes are designed to improve the accuracy, clarity, and transparency of the NSCC Rules and thereby allow Members to conduct their business more efficiently and effectively in accordance with the Rules, which NSCC believes would promote the prompt and accurate clearance and settlement of securities transactions.

NSCC would also delete the requirements that a service bureau must (a) be or become a Member of NSCC or (b) be affiliated with a Member of the Corporation and that the Member (either the service bureau itself or its affiliated Member) must make a Clearing Fund deposit with NSCC. NSCC does not believe it is necessary for a service bureau to be, or be affiliated with, a Member or to maintain a Clearing Fund deposit. The Members, on behalf of which a service bureau may submit trade data to NSCC, and not the service bureau itself, are responsible for maintaining Clearing Fund deposits to cover the risk associated with such positions. Moreover, the last paragraph of Addendum J currently provides NSCC with the authority to waive these requirements if it is in the best interests of NSCC and its Members to approve a service bureau so as to assure the prompt, accurate, and orderly processing and settlement of securities transactions or to

otherwise carry out the functions of the Corporation. NSCC is proposing to eliminate these requirements as a matter of rule rather than through individual waivers, to improve the transparency and clarity of its Rules. NSCC believes the proposed rule change would continue to promote the prompt and accurate clearance and settlement of securities transactions and assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.

For the reasons set forth above, NSCC believes the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions and assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible, consistent with the requirements of Section 17A(b)(3)(F) of the Act.²⁷

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

NSCC does not believe that the proposed rule change would have any adverse impact, or impose any burden, on competition. These proposed changes are primarily designed to improve the accuracy, clarity, and transparency of the NSCC Rules. Specifically, the proposed changes to Rule 2B concerning NSCC's obligations for maintaining non-public information of its participants would only impose obligations on NSCC and would not impose any new requirements on its participants. Additionally, the proposed rule change would remove outdated rules, procedures, addenda, and fees related to inactive services or outdated methods of data transmission. The proposed rule change would also provide additional clarity to NSCC's CNS Accounting Operation Procedures, which would be equally applicable to all Members. In addition, the proposed rule change

²⁷ 15 U.S.C. 78q-1(b)(3)(F).

would remove certain requirements around the DTCC Limit Monitoring tool and make Limit Monitoring available to all Members on an optional basis. The proposed changes to Limit Monitoring would not impose any new requirements on Members or impact the actions Members may take in response to Limit Monitoring. In addition, the proposed rule change would consolidate the rules concerning NSCC's authority to impose fines into NSCC's disciplinary proceeding rules and clarify the requirements for admission to NSCC's premises. These proposed changes would apply equally to all Members and would not impose any new significant obligation or burden on Members. The proposed changes are simply intended to improve the accuracy, clarity, and transparency of NSCC's Rules. Finally, the proposed rule change would clarify policy statements regarding the acceptance of trade data from service bureaus. These proposed changes would not impose any new requirements on service bureaus and would in fact eliminate certain requirements for service bureaus. The proposed rule change therefore would not materially affect the rights or obligations of NSCC Members. As a result, NSCC does not believe that the proposed rule change would have any adverse impact, or impose any burden, on competition.

(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 or 202-551-5777.

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

Because the foregoing proposed rule change does not:

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

shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act²⁸ and Rule 19b-4(f)(6) thereunder.²⁹

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.

²⁸ 15 U.S.C. 78s(b)(3)(A).

²⁹ 17 CFR 240.19b-4(f)(6).

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NSCC-2022-012 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-2022-012. 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 (<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-2022-012 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.³⁰

Secretary

³⁰ 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 2B. ONGOING MEMBERSHIP REQUIREMENTS AND MONITORING

[Changes to Rule 2B, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Rule 2B.]

* * *

SEC. 2. DATA TO BE FILED WITH THE CORPORATION

A. Reports and Information

Each Member, Mutual Fund/Insurance Services Member, Fund Member, and Insurance Carrier/Retirement Services Member (each hereinafter in this rule referred to collectively as “participants”) shall submit to the Corporation the following reports and information as applicable to such participant, together with all addenda and amendments applicable thereto, within the time periods prescribed by the Corporation from time to time. (Unless specifically set forth below, the time periods prescribed by the Corporation are set forth in the form of notices posted at the NSCC Website. Pursuant to Section 7 of Rule 45, it is the participant’s responsibility to retrieve all notices daily from the NSCC Website.):

* * *

The Corporation may from time to time require the submission of additional reports and other information as it may deem necessary or advisable. Reports and information provided to the Corporation pursuant to this Rule shall be provided in the form and to the persons or departments specified by the Corporation from time to time and the provisions of Rule 45 shall not apply thereto.

Any non-public information furnished to the Corporation pursuant to this Rule shall be held in confidence as may be required under the laws, rules and regulations applicable to the Corporation that relate to the confidentiality of records.

* * *

RULE 4. CLEARING FUND

[Changes to Rule 4, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Rule 4.]

SEC. 1. *Required Fund Deposits.* Each Member shall make and maintain on an ongoing basis a deposit to the Clearing Fund.¹ The amount of each Member's required deposit shall be determined by the Corporation in accordance with Procedure XV and other applicable Rules and Procedures (the "Required Fund Deposit"). The minimum Required Fund Deposit, excluding Required SFT Deposit, for each Member shall be \$250,000. The Corporation may require any such Member to deposit additional amounts to the Clearing Fund pursuant to Rule 15. A Member may in its discretion maintain additional deposits at the Corporation, subject to any Procedures or other requirements the Corporation may establish for such excess amounts. For purposes of these Rules and Procedures, such additional deposits shall be deemed to be part of the Clearing Fund and the Member's Actual Deposit but shall not be deemed to be part of the Member's Required Fund Deposit.

The Corporation may permit Members to satisfy their Required Fund Deposit obligations through a combination of cash and open account indebtedness secured by Eligible Clearing Fund Securities, as further described in Procedure XV²¹. The

⁴ ~~Clearing Fund deposits for Sponsored Accounts (as defined in Procedure IX.B.) relative to such Sponsored Accounts' DTC activity will be calculated and held by DTC in accordance with their procedures, and shall not be included in determining the Required Fund Deposit or the minimum cash requirement.~~

²¹ In addition, the Corporation reserves the right to require participants to post a letter of credit in an instance where the Corporation, in its discretion, believes the participant presents legal risk. In such circumstances the Corporation may require part of a participant's deposit to be evidenced by an open account indebtedness supported by one or more irrevocable letters of credit with a maturity of no more than one year issued on behalf of the participant in favor of the Corporation (i) under which a bank, trust company or United States branch or agency of a foreign bank (hereinafter, an "Issuer"), in each case approved by the Corporation for such purpose, is obligated to honor drafts up to a specified amount drawn on it by the Corporation and (ii) the terms and conditions of which the Corporation determines are acceptable to the Corporation in its sole discretion (each such letter of credit, an "Eligible Letter of Credit"). Any amount drawn on any Eligible Letters of Credit shall be deposited into, and constitute an additional cash deposit to, the Clearing Fund and shall reduce the participant's open account indebtedness by a corresponding amount. Within ten (10) calendar days prior to the stated expiration date of any such Eligible Letter of Credit or within such time as the Corporation shall direct upon receipt by the Corporation of written notice from an approved bank of an earlier expiration date of any Eligible Letter of Credit supporting a participant's open account indebtedness, such participant shall make a substitution for the Eligible Letter of Credit, in accordance with the provisions of this Rule, in the amount required, effective upon or prior to the expiration of the Eligible Letter of Credit.

aggregate of cash deposited, the collateral value of pledged Eligible Clearing Fund Securities determined in accordance with Section III of Procedure XV, and the face amount of any Eligible Letters of Credit shall not at any time be less than the Member's Required Fund Deposit.

Each Member grants to the Corporation a first priority perfected security interest in its right, title and interest in and to any Eligible Clearing Fund Securities, funds and assets pledged to the Corporation to secure the Member's open account indebtedness or placed by a Member in the possession of the Corporation (or its agents acting on its behalf) (collectively with any Eligible Letters of Credit issued on behalf of a Member in favor of the Corporation, the Member's "Actual Deposit"), in each case to secure all such Member's obligations to the Corporation. The Corporation shall be entitled to exercise the rights of a pledgee under common law and a secured party under Articles 8 and 9 of the New York Uniform Commercial Code with respect to such assets. Eligible Clearing Fund Securities pledged to secure a Member's open account indebtedness shall be delivered to the Corporation's account at DTC, or on such other terms and conditions as the Corporation may require. The Corporation may in its discretion hold pledged Eligible Clearing Fund Securities in its account at a financial institution designated by the Corporation.

SEC. 2. Permitted Use, Investment, and Maintenance of Clearing Fund Assets. The Clearing Fund shall only be used by the Corporation (i) to secure each Member's performance of obligations to the Corporation, including each Member's obligations with respect to any loss allocations as set forth in Section 4 of this Rule, (ii) to provide liquidity to the Corporation to meet its settlement obligations, including, without limitation, through the direct use of cash in the Clearing Fund or through the pledge or rehypothecation of pledged Eligible Clearing Fund Securities in order to secure liquidity, and (iii) for investment as set forth in this section.

Each time the Corporation uses any part of the Clearing Fund pursuant to clause (ii) in the preceding paragraph for more than 30 calendar days, the Corporation, at the close of business on the 30th calendar day (or on the first Business Day thereafter) from the day of such use, shall consider the amount used but not yet repaid as a loss to the Clearing Fund incurred as a result of a Defaulting Member Event and immediately allocate such loss in accordance with Section 4 of this Rule.

The Corporation may invest any cash in the Clearing Fund, including (i) cash deposited by a Member as part of its Actual Deposit, (ii) the proceeds of (x) any loans made to the Corporation secured by the pledge by the Corporation of Eligible Clearing Fund Securities pledged to the Corporation or (y) any sales of Eligible Clearing Fund Securities pledged to the Corporation, (iii) cash receipts from any investment of, repurchase or reverse repurchase agreements relating to, or liquidation of, Clearing Fund assets, and (iv) cash payments on Eligible Letters of Credit (collectively, "Clearing Fund Cash"), in accordance with the Clearing Agency Investment Policy adopted by the Corporation.

The Corporation shall not be required to segregate each Member's Actual Deposit, but shall maintain books and records concerning the assets that constitute each Member's Actual Deposit.

Each Member shall be entitled to any interest earned or paid on Clearing Fund cash deposits.³ Any interest on pledged Eligible Clearing Fund Securities that is received by the Corporation shall be credited to the Member's cash deposit to the Clearing Fund, except in the event of a default by such Member on any obligations to the Corporation, in which case the Corporation may exercise its rights under Section 3 of this Rule.

* * *

SEC. 7. *Return of Members' Clearing Fund Deposits.* If a Member gives notice to the Corporation of its election to withdraw from membership, the Member's Actual Deposit in the form of (i) cash or securities shall be returned to it within thirty (30) calendar days and (ii) Eligible Letters of Credit shall be returned to it within ninety (90) calendar days, after all of its transactions have settled and all matured and contingent obligations to the Corporation for which the Member was responsible while a Member have been satisfied. **~~Notwithstanding the foregoing, the Corporation may retain for up to two (2) years the Actual Deposits from Members who have Sponsored Accounts at DTC.~~**

* * *

RULE 15. ASSURANCES OF FINANCIAL RESPONSIBILITY AND OPERATIONAL CAPABILITY

[Changes to Rule 15, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Rule 15.]

* * *

SEC. 4. A participant's failure to furnish information or otherwise comply with the requirements of this Rule may subject the participant to **~~the imposition of a fine pursuant to Rule 17,~~** restrictions on access to the Corporation's services pursuant to

³ ~~Sponsored Accounts (as defined in Procedure IX.B.) will receive interest earned or paid on their Clearing Fund deposits held at DTC at such rate or rates as DTC pays to its participants.~~

Rule 46 or **the imposition of a fine or** disciplinary proceedings pursuant to Rule 48, amongst other rights of the Corporation as provided under these Rules.

* * *

RULE 17. ~~FINE PAYMENTS~~ (RULE NUMBER RESERVED FOR FUTURE USE)

[Changes to Rule 17, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Rule 17.]

~~The Corporation may impose a fine on a Member or Limited Member pursuant to these Rules. Fines shall be payable in the manner and at such time as determined by the Corporation from time to time.~~

* * *

**RULE 27. ADMISSION TO PREMISES OF THE CORPORATION –
POWERS OF ATTORNEY, ETC.**

[Changes to Rule 27, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Rule 27.]

No Person will be permitted to enter the premises of the Corporation as the representative of any Member, Mutual Fund/Insurance Services Member, Municipal Comparison Only Member, Insurance Carrier/Retirement Services Member, TPA Member, TPP Member, Investment Manager/Agent Member, Fund Member, Data Services Only Member or AIP Member (each hereinafter referred to as a “participant” for purposes of this Rule 27) unless he has first been approved by the Corporation and has been issued such credentials as the Corporation may from time to time prescribe and such credentials have not been canceled or revoked. Such credentials must be shown on demand, **and to gain entry to the Corporation’s premises, must be prominently displayed while on said premises,** and may limit the portions of the premises to which access is permitted thereunder. Any credentials issued pursuant to this Rule may be revoked at any time by the Corporation in its discretion, and prompt

notice of such revocation shall be given to the employer of the person whose credentials have been so revoked.

* * *

RULE 29. QUALIFIED SECURITIES DEPOSITORIES

[Changes to Rule 29, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Rule 29.]

Each Member shall be a participant in a Qualified Securities Depository. If any such Member shall not at any time be a participant in a Qualified Securities Depository, the Corporation may cease to act for such Member pursuant to Rule 46. Unless permitted to take summary action pursuant to Rule 46 the Corporation shall promptly hold a hearing prior to ceasing to act. During the interim between the time that such Member is no longer a participant in a Qualified Securities Depository and the time that the Corporation ceases to act for such Member, such Member shall be required to effect securities settlement by physical delivery ~~or in the discretion of the Corporation through a Sponsored Account.~~

* * *

RULE 39. RELIANCE ON INSTRUCTIONS

[Changes to Rule 39, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Rule 39.]

The Corporation may accept or rely upon any instruction given to the Corporation by a Member, Sponsored Member, Mutual Fund/Insurance Services Member, Municipal Comparison Only Member, Fund Member, Insurance Carrier/Retirement Services Member, TPA Member, TPP Member, Data Services Only Member, AIP Member or Special Representative, Index Receipt Agent or Approved SFT Submitter (each hereinafter referred to as a "participant" for purposes of this Rule 39), ~~including wire transmission, physical delivery or delivery by other means of instructions~~

~~recorded on magnetic tape or other media or of facsimile copies of instructions,~~ in any form acceptable to the Corporation and in accordance with the Procedures, which reasonably is understood by the Corporation to have been delivered to the Corporation by such participant. In the case of instructions given by a Special Representative, Index Receipt Agent or Approved SFT Submitter, Investment Manager/Agent Member, TPP Member, or TPA Member, the Corporation shall be entitled to act pursuant to any such instruction as though such instruction had been received from the Member or Sponsored Member for which the Special Representative, Index Receipt Agent or Approved SFT Submitter or TPP Member, TPA Member or Investment Manager/Agent Member is acting.

Any participant delivering instructions as provided above, or on whose behalf a Special Representative, Approved SFT Submitter, TPA Member, TPP Member, or Investment Manager/Agent Member, shall deliver instructions as provided above, shall indemnify the Corporation, and any of its employees, officers, directors, shareholders, agents, and participants who may sustain any loss, liability or expense as a result of (a) any act done in reliance upon the authenticity of any instruction received by the Corporation, (b) the inaccuracy of the information contained therein or (c) effecting transactions in reliance upon such information or instruction against any such loss, liability or expense so long as such transactions are effected in accordance with such information and instructions even though they are inaccurate or not authentic and so long as the person asserting a right to indemnification shall not have knowledge of such inaccuracy or lack of authenticity at the time of the event or events giving rise to such loss, liability or expense.

Notwithstanding the foregoing, the Corporation will not act upon any instruction purporting to have been given by a participant ~~which is received by wire transmission or in the form of facsimile copies or magnetic tape or media other than written instructions~~ or from a Special Representative, Approved SFT Submitter, TPA Member, TPP Member, or Investment Manager/Agent Member, commencing one Business Day after the Corporation receives written notice from the participant that the Corporation shall not accept such instructions until such time as the participant shall withdraw such notice.

* * *

RULE 46. RESTRICTIONS ON ACCESS TO SERVICES

[Changes to Rule 46, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Rule 46.]

* * *

SEC. 4. Any action taken by the Corporation pursuant to this Rule may include, but shall not be limited to, any one or more of the following actions:

(a) ceasing to act for the participant pursuant to Rule 18; **and**

(b) limiting or excluding the participant's participation in one or more classes of transactions or services which are, depending on membership type, available to the participant, including but not limited to (i) envelope "receive" transactions, (ii) CNS positions or Balance Order obligations of the Member, or (iii) transactions involving ancillary services of the Corporation;

~~(c) requiring the participant to effect securities settlement through a Sponsored Account of National Securities Clearing Corporation at The Depository Trust Company, rather than through its own depository account.~~

* * *

RULE 48. DISCIPLINARY PROCEEDINGS

[Changes to Rule 48, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Rule 48.]

SEC. 1. The Corporation may discipline any Member or Limited Member (each hereinafter referred to as a "participant" for purposes of this Rule 48) for a violation of any provision of the Rules or the Procedures of the Corporation, such participant's agreements with the Corporation, or for any error, delay or other conduct detrimental to the operations of the Corporation, or for not providing adequate facilities for such participant's business with the Corporation, by expulsion, suspension, limitation of or restriction on activities, functions and operations, fine or censure or any other fitting

sanction; provided, however, that the fine for any single offense shall not exceed the sum of \$20,000. **Fines shall be payable in the manner and at such time as determined by the Corporation from time to time.**

SEC. 2. Before imposing any disciplinary sanction on a participant pursuant to this Rule, the Corporation shall notify such participant pursuant to Section 6 of Rule 45 of the charges against such participant and its right to a hearing.

* * *

RULE 54. DTCC LIMIT MONITORING RISK MANAGEMENT TOOL

[Changes to Rule 54, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Rule 54.]

SEC. 1. General

NSCC may provide its Members with a risk management tool called DTCC Limit Monitoring that will enable Members to monitor trading activity on an intraday basis of their organizations and/or their correspondent firms through review of post-trade data. DTCC Limit Monitoring will be available to all Members. ~~Members required to register for DTCC Limit Monitoring include: (1) any Member that clears trades for others; (2) any Member that submits transactions to NSCC's trade capture system either as a Qualified Special Representative (QSR) or Special Representative, pursuant to Procedure IV (Special Representative Service); and (3) any Member that has established a 9A/9B relationship in order to allow another Member (either a QSR or Special Representative) to submit locked in trade data on its behalf.~~

DTCC Limit Monitoring will provide Members with: (i) post-trade data relating to unsettled equity and debt securities trades for a given day that have been compared or recorded through the Corporation's trade capture mechanisms on that day ("LM Trade Date Data"), and (ii) other information as provided in this Rule and the DTCC Limit Monitoring Procedure. The trade capture mechanisms utilized in the production of LM Trade Date Data shall be as determined by the Corporation from time to time.

A Member is able to access LM Trade Date Data and other information through DTCC Limit Monitoring only with respect to its own account(s) at the Corporation. Through the utilization of filtering criteria known as "Risk Entities", a Member can define activity it seeks to monitor through the risk management tool, including that of its

correspondents, or other entities or groups for which LM Trade Date Data is processed through the Members' account, including relating to subgroups within its own business.⁴

Members using the tool will have the ability to input or load start of day and/or intra-day position data representing open activity from prior days into DTCC Limit Monitoring on their own ("LM Member-provided Data") (LM Trade Date Data and LM Member-provided Data shall collectively be referred to as "LM Transaction Data"). Through its definition of Risk Entities, and as otherwise provided in the Procedures, a Member may create rules for the aggregation of LM Transaction Data, set parameters for the monitoring of each Risk Entities' activity in relation to LM Transaction Data, and receive alerts for the display of parameter brakes relating to the LM Transaction Data. These functions, and the responsibilities of the Corporation and Members with respect to DTCC Limit Monitoring are further described in the DTCC Limit Monitoring Procedure (Procedure XVII).

* * *

RULE 56. SECURITIES FINANCING TRANSACTION CLEARING SERVICE

[Changes to Rule 56, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Rule 56.]

* * *

SEC. 18. Other Applicable Rules, Procedures, and Addendums. In addition to this Rule 56, the Rules, Procedures, and Addendums referenced in this section shall also apply to SFTs and SFT Members, unless expressly stated otherwise.

Rule 1 (Definitions and Descriptions), Rule 2 (Members, Limited Members and Sponsored Members), Rule 5 (General Provisions), Rule 12 (Settlement), Rule 13 (Exception Processing), ~~Rule 17 (Fine Payments)~~, Rule 19 (Miscellaneous Rights of the Corporation), Rule 21 (Honest Broker), Rule 22 (Suspension of Rules), Rule 23 (Action by the Corporation), Rule 24 (Charges for Services Rendered), Rule 26 (Bills Rendered), Rule 27 (Admission to Premises of the Corporation - Powers of Attorney, Etc.), Rule 28 (Forms), Rule 29 (Qualified Securities Depositories), Rule 32 (Signatures), Rule 33 (Procedures), Rule 34 (Insurance), Rule 35 (Financial Reports),

⁴ The Corporation does not distinguish a Member's overall activity from that of the Member's customers or other groups. Therefore, a Member's ability to receive LM Trade Date Data organized by Risk Entity is entirely dependent upon the Member's provision of defining criteria in accordance with this Rule and the DTCC Limit Monitoring Procedure.

Rule 36 (Rule Changes), Rule 37 (Hearing Procedures), Rule 38 (Governing Law and Captions), Rule 39 (Reliance on Instructions), Rule 40 (Wind-Down of a Member, Fund Member or Insurance Carrier/Retirement Services Member), Rule 41 (Corporation Default), Rule 42 (Wind-down of the Corporation), Rule 45 (Notice), Rule 47 (Interpretation of Rules), Rule 48 (Disciplinary Proceedings), Rule 49 (Release of Clearing Data and Clearing Fund Data), Rule 55 (Settling Banks and AIP Settling Banks), Rule 58 (Limitations on Liability), Rule 60 (Market Disruption and Force Majeure), Rule 60A (Systems Disconnect: Threat of Significant Impact to the Corporation's Systems), Rule 63 (SRO Regulatory Reporting), Procedure I (Introduction), Procedure VIII (Money Settlement Service), Procedure XII (Time Schedule), Procedure XIII (Definitions), Procedure XIV (Forms, Media and Technical Specifications), Procedure XV (Clearing Fund Formula and Other Matters), Addendum B (Qualifications and Standards of Financial Responsibility, Operational Capability and Business History), Addendum H (Interpretation of the Board of Directors Release of Clearing Data), Addendum L (Statement of Policy Pertaining to Information Sharing), and Addendum P (Fine Schedule) shall apply to SFTs and SFT Members, unless the context otherwise requires.

* * *

RULE 61. INTERNATIONAL LINKS

[Changes to Rule 61, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Rule 61.]

The Corporation may establish links with one or more Foreign Financial Institutions and may make available to such Foreign Financial Institutions for the benefit or on behalf of the Foreign Financial Institution's participants and members such services of the Corporation which the Corporation in its sole discretion shall determine to provide. ~~To the extent that the Corporation provides access to a Qualified Security Depository to a Foreign Financial Institution, the Foreign Financial Institution shall be required to collateralize its settlement obligations to the Corporation on such terms and by such means as agreed to between the Corporation and the Foreign Financial Institution.~~ The Corporation may enter into such agreements as it may deem appropriate with any such Foreign Financial Institution which agreement and the Rules of the Corporation, as well as the rules, procedures and other documents of the Foreign Financial Institution shall govern link transactions between participants and members of such Foreign Financial Institutions and the Members of the Corporation. The Corporation may from time to time establish procedures which shall be applicable to the operation of such links which procedure

may be amended from time to time and such procedures shall be a part of the Rules and Procedures of the Corporation.

* * *

RULE 62. ~~GLOBAL CLEARANCE NETWORK SERVICE~~(RULE NUMBER RESERVED FOR FUTURE USE)

[Changes to Rule 62, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Rule 62.]

~~The Corporation may establish a foreign clearing, settlement and custody service in conjunction with banks, trust companies and other entities to be known as the Global Clearance Network Service and may provide such service to any Member which is qualified to be a customer of the bank, trust company or other entity and has executed such agreement with the Corporation as the Corporation may require providing, among other things, a guarantee to the bank, trust company or other entity for the services. The Corporation may from time to time establish procedures for the operation of the service.~~

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NATIONAL SECURITIES CLEARING CORPORATION PROCEDURES

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PROCEDURE VII. CNS ACCOUNTING OPERATION

[Changes to Procedure VII, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Procedure VII.]

* * *

D. Controlling Deliveries to CNS

As noted in subsection C, the delivery of securities from a Member's Designated Depository account to satisfy short positions is an automatic process and requires no action on the part of the Member. Securities are removed from the Member's Designated Depository account to the extent that a sufficient quantity is on deposit.

In order for a Member to avoid segregation violations and to meet other delivery needs, a procedure is provided to control this automatic system. The first phase of this procedure provides the Member with its projected positions due for settlement the following day. The second phase involves the submission of instructions by the Member indicating which short positions it does not wish to settle. Members are required to provide instructions to exempt from delivery any transactions compared or received on SD-1 or thereafter, including cash or next day transactions, which are processed for next day or same day settlement and which create or increase a short position. This exemption shall hereinafter be referred to as the "One Day Settling Exemption".

* * *

2. Exemptions

Except as described below, each Member has the ability to elect to deliver all or part of any short position. It controls this process by Exemptions. By indicating a particular quantity as an Exemption, the Member directs the Corporation not to settle certain short positions or portions thereof. Exemptions govern short positions in the CNS Stock Record and not Designated Depository positions. All short positions or positions thereof for which no Exemption is indicated are settled automatically to the extent that the Member has made such securities available in the Member's Designated Depository account or they become

available in its Designated Depository account through other depository activity. Notwithstanding the above, a Member may not exempt delivery of any securities available in an agency account established at a Qualified Securities Depository for the processing of transactions through the ID Net Service.

(a) Types of Exemption

The CNS system provides for two levels of Exemption. By proper use of the Projection Report and Exemptions, Members can utilize current inventory as well as securities received from other sources on settlement day in order to satisfy delivery requirements.

- (i) Level 1 Exemption - By submitting a Level 1 Exemption, the Member indicates that the portion of the short position exempted should not be automatically settled against its current Designated Depository position or against any securities which may be received into its Designated Depository account as a result of other depository activity.
- (ii) Level 2 Exemption - The submission of a Level 2 Exemption is an instruction by the Member that the portion of the short position exempted should not be automatically settled against its current depository position. Such a position may be satisfied, however, by certain types of "qualified" activity in its Designated Depository account.

(b) Qualified Activity

There are four types of qualified activity which allow short positions carrying Level 2 Exemptions to be settled:

- (i) Coded Deposits - The Member deposits securities into its Designated Depository account in the normal manner, but by using a special deposit ticket which indicates that these securities are available for settling Level 2 Exemption quantities.
- (ii) Coded Collateral Loan Releases - A Member may release securities from its Designated Depository collateral loan account and wish those securities to be used in settling a Level 2 Exemption quantity. In this case, the Member uses a special Collateral Loan Release form which authorizes such use.
- (iii) Receipts from Banks - All securities received against payment from banks are eligible to settle Level 2 Exemption quantities. Settlement of such items is automatic and no special instruction by the Member is required.

~~(iv) Receipts from Member's Sub Account As a result of CNS sub accounting (see subsection I of this Section), a Member may have a long position in a given security in one CNS account and a short position in the same security in another CNS account. Since both CNS accounts settle against a single Designated Depository Account, the Member may receive securities from itself.~~

* * *

E. Influencing Receipts from CNS

After securities are received by the Corporation from Members with short positions, they are allocated to other Members which have long positions. The allocation of these securities is designed so as not to benefit any one Member. Members may change their relative rank by submitting Priority Requests. The submission of a Buy-In Intent will also affect the priority of a Member's long position in that particular security.

* * *

5. Fully-Paid-For Account

(Procedures for Movements to the Long Free Account)

The Corporation's processing day is divided into two parts. It begins with a night cycle on the evening preceding the settlement day for which the work is being processed and is followed by a day cycle which ends on the settlement day for which the work is processed. If a Member with a long position and/or a position due for settlement on the next settlement day, in anticipation of receiving securities from the Corporation (other than municipal securities, as that term is defined by the Exchange Act), as a result of the allocation process during the night or day cycle for that settlement day, instructs that securities within its possession or control (other than municipal securities) be delivered on the next day and is subsequently not allocated the securities during the night or following day cycle, the Member may, in order to meet the "customer segregation" requirements of Rule 15c3-3 of the Exchange Act, instruct the Corporation, during the day cycle for that settlement day by the time specified by the Corporation, to transfer the position(s) which has not been allocated to a special CNS sub-account (the "Long Free Account"). The Corporation will then debit the Member's settlement account for the value of the position in the Long Free Account. The Long Free Account will be guaranteed by the Corporation and will be marked daily.

All funds which the Corporation receives from debiting the Member's settlement account for the value of a position moved into the Long Free Account and all marks credited to the Long Free Account as a result of marking positions to the market daily, will be segregated by the Corporation from all other funds received by the Corporation. Any time that a Member determines that he no longer needs

the position(s) in the Long Free Account for 15c3-3 purposes, he may instruct the Corporation to transfer back the position(s) to its Long Valued Account and make the appropriate adjustment to its settlement account.

~~NOTE: The SEC has stated that: "any broker/dealer that takes advantage of proposed rule NSCC 82-25 must recall deficits from bank loan within shorter time intervals than those presently allowed under Rule 15c3-3(d)(1) of the Exchange Act. In the case of bank loan, broker/dealers will be expected to effect a recall within one Business Day instead of the two Business Days presently allowed.~~

* * *

J. Recording of CNS Buy-Ins

1. Equity Securities and Corporate Debt Securities

* * *

CNS Allocation Priority and CNS Retransmittal Notices

Original Buy-In Intent (expiring on N+2):

A Buy-In Position on an Original Buy-In Intent is given high priority for CNS allocation from N+1 through the daytime allocation on N+2. If a Buy-in Position remains unfilled after the night allocation on N+1, the Corporation issues CNS Retransmittal Notices on the morning of N+1 to a sufficient number of Members with Short Positions. Such CNS Retransmittal Notices shall specify the originator and the remaining portion of the Buy-In Position not yet received and demand delivery from each such Member of a specified quantity of securities. CNS Retransmittal Notices are issued in an aggregate quantity at least equal to the Buy-in Position. In no case will the Buy-In Liability of a Member exceed the Buy-in Position or the total Short Position of the Member. If several Members have Short Positions with the same age, all such Members are issued CNS Retransmittal Notices, even if the total of their Short Positions exceeds the Buy-in Position.

Buy-In Retransmittal Notice (expiring on N+1):

A Member that has a Long Position in CNS at the end of any day and that has received a Buy-In Intent initiated outside of the CNS System in that same CUSIP, may submit a Buy-In Retransmittal Notice to the Corporation for execution on N+1 as described below. ~~The Buy-In Retransmittal Notices~~ shall ~~include such information as the Corporation may determine from time to time, including~~ be submitted in such form and within such times as determined by the Corporation and include the identity of the entity that initiated the Buy-In

against the Member. A Buy-In Position on a Buy-In Retransmittal Notice is given high priority for CNS allocation from N through the daytime allocation on N+1.

Upon receipt of the Buy-In Retransmittal Notice on N, the Corporation issues CNS Retransmittal Notices to a sufficient number of Members with Short Positions. Such CNS Retransmittal Notices shall specify the originator and the remaining portion of the Buy-In Position not yet received and demand delivery from each such Member of a specified quantity of securities. CNS Retransmittal Notices are issued in an aggregate quantity at least equal to the Buy-in Position. In no case will the Buy-In Liability of a Member exceed the Buy-in Position or the total Short Position of the Member. If several Members have Short Positions with the same age, all such Members are issued CNS Retransmittal Notices, even if the total of their Short Positions exceeds the Buy-In Position.

A Member's Buy-In Liability may be satisfied by the actual settlement of the Short Position up to the time on N+1 (for a Buy-In Retransmittal Notice), or N+2 (for an Original Buy-In Intent). If a deposit of securities is required to satisfy the Short Position, that deposit should be made prior to the Designated Depository daytime deposit cut-off time on the expiration date of the Buy-In Intent and prior to the time specified below. Going from a Short Position to a flat or Long Position due to settling trades, stock dividends, or other activity on N through N+2 does not free a Member from Buy-In Liability.

Prior to the execution of a Buy-In, the originator must accept and pay for any portion or all the remaining securities delivered to the originator.

* * *

PROCEDURE IX. ~~SPECIAL SERVICES~~(RESERVED FOR FUTURE USE)

[Changes to Procedure IX, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Procedure IX.]

~~A. Clearing Centers~~

~~The Corporation provides Clearing Centers in a number of cities for the convenience of Members. Such offices may be operated by the Corporation, agents of the Corporation or through the facilities of a correspondent organization.~~

~~Clearing Centers serve as input/output facilities for Members located near that office. The use of a Clearing Center by any Member is voluntary and may be used for certain services but not for others at the Member's option.~~

~~Each Member is, however, required to select a primary Clearing Center. The Corporation provides output records at the destination chosen by the Member. Physical securities which are requested by a Member are directed to its primary Clearing Center.~~

~~B — Sponsored Accounts~~

~~For those Members which choose not to maintain direct membership in a Qualified Securities Depository, the Corporation makes Qualified Securities Depository facilities available through the use of Sponsored Accounts. Each such Member is assigned a Qualified Securities Depository account number and uses that account as if it were a direct depository participant. The account is under the jurisdiction of the Corporation, however, which is solely responsible for all liabilities arising from the use of the account including the payment of fees to the Qualified Securities Depository.~~

~~Members which choose to use Sponsored Accounts may deposit and withdraw securities, receive and deliver securities by book entry for CNS obligations, receive and deliver securities by book entry with other Qualified Securities Depository participants, collateralize bank loans through the pledge of securities, and generally make use of all services and facilities offered by the Qualified Securities Depository to its direct participants.~~

~~At the discretion of the Corporation, all securities to be deposited in a Sponsored Account and all depository input documents including deposit tickets, book entry delivery instructions, withdrawal tickets and collateral loan forms may be required to be submitted by the Member to the Corporation. If submitted by the Member to the Corporation, the Corporation may verify such items for accuracy and reasonableness before submitting them to the Qualified Securities Depository for processing. The Corporation may reject any item which, in its opinion, creates a liability inconsistent with the Member's normal level of business or financial capability.~~

~~All money settlement obligations in a Sponsored Account are settled directly between the Corporation and the Qualified Securities Depository. The Corporation consolidates the Member's obligations from its Sponsored Account with its Settlement obligation and effects a single money settlement representing the net of the two obligations.~~

* * *

PROCEDURE XIII. DEFINITIONS

[Changes to Procedure XIII, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Procedure XIII.]

~~Clearing Center A branch facility of the Corporation.~~

* * *

~~Primary Clearing Center The Clearing Center designated as such by a Member.~~

* * *

PROCEDURE XVII. DTCC LIMIT MONITORING PROCEDURE

[Changes to Procedure XVII, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Procedure XVII.]

A. Introduction

DTCC Limit Monitoring is a risk management tool available to Members as provided in Rule 54 and this Procedure.

~~**Members required to register for DTCC Limit Monitoring include: (1) any Member that clears trades for others; (2) any Member that submits transactions to NSCC's trade capture system either as a Qualified Special Representative (QSR) or Special Representative, pursuant to Procedure IV (Special Representative Service); and (3) any Member that has established a 9A/9B relationship in order to allow another Member (either a QSR or Special Representative) to submit locked in trade data on its behalf.**~~

Members registered for DTCC Limit Monitoring ~~are required to~~may create Risk Entities (as defined in Rule 54 and more fully described below) and other parameters that: (1) define the rules for the aggregation of trade data, (2) set parameters for the monitoring of each Risk Entities' activity in relation to such data, and (3) trigger alerts to Members of parameter breaks.

B. DTCC Limit Monitoring Processing

1. Data Capture and Member Input

a. Data Capture

On each trade date, the Corporation may, within timeframes it may establish from time to time, populate DTCC Limit Monitoring with LM Trade Date Data which has been compared or recorded through trade capture mechanisms as it determines from time to time.⁵

b. Member Input

Members may, in their sole discretion, input or load LM Member-provided Data to DTCC Limit Monitoring. Such data shall be submitted by Members within such timeframes as determined by the Corporation from time to time and in format(s) deemed acceptable by the Corporation.

2. Establishing Risk Entities

Within timeframes as permitted by the Corporation from time to time, Members that are registered for DTCC Limit Monitoring **shall** establish Risk Entities. Members shall define Risk Entities utilizing strings of data elements (referred to as “trade arrays”) according to categories established for this purpose by the Corporation from time to time. Members may utilize multiple trade arrays in the definition of a single Risk Entity. Examples of data elements that a Member may select to be included in a trade array are clearing broker account number (i.e., the Member’s own main account or sub-account number(s)), executing broker symbol, market, and other identifying details as the Corporation may permit.

3. Processing

LM Transaction Data for each Member shall be aggregated and sorted by the Corporation by Risk Entity and made available to that Member at the Member’s own convenience. Intraday allocations in the settlement system are not taken into consideration as they are not effective until the Effective Time (as defined in Rule 12). LM Transaction Data may include values on a net notional basis, and as calculated on other bases as determined by the Corporation from time to time. LM Trade Date Data shall be carried at contract amount unless the Corporation otherwise has added a pricing methodology for the relevant security, and LM Member-provided Data shall include pricing as provided by the applicable Member.

⁵ Such mechanisms include all new settling trades including trades compared and/or recorded by the Real-Time Trade Matching service and the Universal Trade Capture system. Transaction details submitted to the Obligation Warehouse are not forwarded to DTCC Limit Monitoring.

4. Parameter Breach Warnings

Members registered for DTCC Limit Monitoring ~~are required to~~may designate parameters to associate with each Risk Entity from certain parameter types that are established or permitted by the Corporation from time to time. DTCC Limit Monitoring then sets “early warning” limits at 75% and 90% of the parameters set by Members for each Risk Entity.

Members ~~shall~~may review reports and alerts on an on-going basis and, as necessary, modify established parameters to reflect current trading activities within each of their Risk Entities. While Members are ultimately responsible for ensuring that the parameters set on trading activity are appropriate, NSCC staff may, in its sole discretion, review trade activity reports and alerts, and may contact Members to discuss any concerns if, for example, the parameters set are not aligned with recent average trading activity.

The Corporation maintains totals of the relevant information which it compares to the designated parameters. The identification of an early warning or parameter breach triggers an alert by the Corporation to the Member. An alert shall be issued within such timeframe as the Corporation deems reasonable and necessary for it to process, validate, and report the relevant data or information.

5. End of Day and Monthly Reporting

The Corporation may provide Members end of day and monthly reports, which include Members’ current Risk Entity definitions, alert history, and other data or information as the Corporation determines to make available from time to time.

6. Contacts for DTCC Limit Monitoring

Members ~~are required to~~may identify primary and secondary contacts within their firm for DTCC Limit Monitoring.

* * *

ADDENDUM A

NATIONAL SECURITIES CLEARING CORPORATION

FEE STRUCTURE

[Changes to Addendum A, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Addendum A.]

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IV. OTHER SERVICE FEES

* * *

I. ~~Global Clearance Network Service~~ (RESERVED FOR FUTURE USE)

1. ~~Instruction Processing Fees~~

- | | | |
|----|----------------------------------------------------------------------------------------|----------------------------|
| a. | Receipt of transaction instructions from a Member via CPU/CPU or I.P.C. | \$2.25 per item |
| b. | Rejects each instruction submitted resulting in a rejection | \$.75 per item |
| c. | Processing of Accepted Instructions forwarding of instruction to agent bank | \$.75 per item |

2. ~~Reporting Fees~~

~~Receipt of Reports fee charged each day a Member is sent a set of reports, per location, based on the method of distribution~~

- | | | |
|----|------------------------------------------|-----------------------------|
| a. | Machine Readable Output (MRO) | \$10.00 per item |
| b. | Print Image Output | \$20.00 per item |
| c. | Hardcopy or Mail | \$50.00 per item |

J. ~~INTERNATIONAL LINK SERVICE—~~ ~~PER AGREEMENT WITH LINK~~
~~TRANSACTION FEES~~ ~~SERVICE PARTICIPANT~~

(RESERVED FOR FUTURE USE)

* * *

V. PASS-THROUGH AND OTHER FEES

A. Participant Fees - represents the monthly fee for each number assigned to a Member or Municipal Comparison Only Member for participation by each Member or Municipal Comparison Only Member under such number in one or more of the specified services provided by the Corporation. The services and their related base fees are:

1. Trade Processing System

For Members

\$300.00 per month, per
account

~~2. Global Clearance Network Service \$100.00 per month~~

~~3. International Link Service Per Agreement with Link
Service Participant~~

* * *

~~F. Global Clearing Network Service P.C.
Access/Hunt group Fee \$125.00 per month~~

* * *

ADDENDUM J

STATEMENT OF POLICY LOCKED-IN DATA FROM SERVICE BUREAUS

[Changes to Addendum J, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Addendum J.]

Rule 7, Section 6 permits the Corporation

to accept, from self-regulatory organizations (either directly or through a subsidiary or affiliated organizations) and/or service bureaus, initial or supplemental trade data on behalf of Members for input into the Corporation's Comparison Operation **(with respect to debt securities)** or compared trade data, which may reflect the netted results of other transactions, on behalf of Members for input into the Corporation's Accounting Operation provided that a Member is a party to the trade or transaction.

Pursuant to the provisions of this Rule, the Corporation presently accepts from ~~the NYSE, NYSE Alternext, and National Association of Securities Dealers, such self-regulatory organizations ("SROs") as it may determine, in its discretion,~~ locked-in trade data on a Member's behalf for input into the Corporation's ~~comparis~~**trade capture** system. The Corporation has received requests from Members to accept, in addition to locked-in trade data, two-sided trade data from service bureaus. Two-sided trade data would encompass the complete details of both sides of a trade.

~~The NYSE, NYSE Alternext and the National Association of Securities Dealers are self regulatory organizations ("SROs") which SROs~~ are regulated by the SEC. Consequently, they operate pursuant to recognized standards and therefore, the integrity of their operations is subject to periodic examination and review. Service bureaus, which are not SROs, are not subject to regulatory control.

Accordingly, in order to assure that the integrity of the Corporation's systems would not be jeopardized by the acceptance of two-sided trade data from service bureaus that are not SRO's, the Corporation has determined to adopt the following criteria which such a service bureau must meet in order to be approved to submit two-sided trade data pursuant to Rule 7, Section 6:

- ~~(1) Service bureau would have to: (a) be or become a Member of the Corporation; or (b) be affiliated with a Member of the Corporation. The Member would have to make a Clearing Fund deposit with the Corporation and have adequate capitalization to insure its continuing ability to honor its commitments to the Corporation.~~

- (21) Service bureau would have to have an established business history of at least two years.
- (32) Service bureau would have to be able to submit the following data for each trade:
- (a) buy or sell;
 - (b) parties to trade;
 - (c) quantity;
 - (d) CUSIP number;
 - (e) executing price;
 - (f) net money;
 - (g) trade date;

and any additional data the Corporation may be called upon to provide to a regulatory body in connection with the Corporation's regulatory responsibilities (e.g., additional data required by a SRO for audit trail purposes).

- (43) Service bureau would be required to have at least ten (10) of the Corporation's Members as its subscribers.
- (54) Service bureau would be required to furnish to the Corporation such information and make available such books and records as the Corporation, in its sole discretion, deems necessary to evaluate service bureau's financial responsibility and operational capability.

* * *

ADDENDUM U

**GLOBAL CLEARANCE NETWORK SERVICE
DATA PROCESSING PROCEDURES(ADDENDUM LETTER RESERVED FOR
FUTURE USE)**

[Changes to Addendum U, as amended by File No. SR-NSCC-2022-012, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes were effective upon filing, but have not yet been implemented. NSCC will implement the proposed changes no earlier than thirty (30) days after the date of filing, September 1, 2022, or such shorter time as the Securities and Exchange Commission may designate. Upon the implementation of these changes, this legend will automatically be removed from this Addendum U.]

- ~~1. Global Clearance Network Service (“GCN Service”) participants may submit, in a format and by a communication vehicle acceptable to the Corporation, on a schedule determined by the Corporation, which may be changed from time to time, data relative to their GCN Service accounts.~~**
- ~~2. Data received by the Corporation will be validated and edited for such information as required by the Corporation from time to time. Data which does not pass the validation or edit shall be rejected and the participant shall be required to resubmit the data. Acceptable data shall be converted, if necessary, into ISO 7775 format (or such other format as determined by the Corporation from time to time) prior to routing to the appropriate GCN Service provider through telecommunication vehicles selected by the Corporation from time to time.~~**
- ~~3. The Corporation will receive confirmation that the data has been received by the GCN Service providers or that it has been transmitted through the Society For Worldwide Interbank Financial Telecommunication S.C. (“S.W.I.F.T”).~~**
- ~~4. If a service provider is unable to process data, the service provider will contact the participant directly.~~**
- ~~5. Each day, at such times as specified by the service provider, reports will be transmitted to the Corporation on behalf of the participants’ accounts. The Corporation will retransmit the reports to participants at such times as determined by the Corporation from time to time.~~**