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Page 1 of \* 32

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

File No. \* SR 2023 - \* 008

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 checked="" type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6)
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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 \*).

Amend the Recovery and Wind-down Plan

**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 duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 09/01/2023

(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: 2023.09.01  
12:58:55 -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 EDFS website.

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

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Narrative (NSCC) - RWP - Final 8.31.2

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) - RWP - 2023.docx

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 (Redacted) - NSCC RWP - 2023

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

## 1. Text of the Proposed Rule Change

(a) The proposed rule change of National Securities Clearing Corporation (“NSCC”) is annexed hereto as Exhibit 5.<sup>1</sup>

(b) Not applicable.

(c) Not applicable.

## 2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors of NSCC (“Board”) at a meeting duly called and held on October 19, 2022.

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

(a) Purpose

### Executive Summary

The R&W Plan was adopted in August 2018<sup>2</sup> and is maintained by NSCC for compliance with Rule 17Ad-22(e)(3)(ii) under the Securities Exchange Act of 1934 (“Act”).<sup>3</sup> This section of the Act requires registered clearing agencies to, in short, establish, implement and maintain plans for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses. The Plan is intended to be used by the Board and NSCC management in the event NSCC encounters scenarios that could potentially prevent it from being able to provide its critical services to the marketplace as a going concern.

The R&W Plan is comprised of two primary sections: (i) the “Recovery Plan,” that sets out the tools and strategies to enable NSCC to recover, in the event it experiences losses that exceed its prefunded resources, and (ii) the “Wind-down Plan,” that describes the tools and

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<sup>1</sup> Capitalized terms not defined herein are defined in the Rules and Procedures of NSCC (the “Rules”), available at [www.dtcc.com/~media/Files/Downloads/legal/rules/nscc\\_rules.pdf](http://www.dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.pdf), or in the Recovery & Wind-down Plan of NSCC (the “R&W Plan” or “Plan”).

<sup>2</sup> See Securities Exchange Act Release Nos. 83974 (Aug. 28, 2018), 83 FR 44988 (Sep. 4, 2018), (SR-NSCC-2017-017); and 83955 (Aug. 27, 2018), 83 FR 44340 (Aug. 30, 2018) (SR-NSCC-2017-805).

<sup>3</sup> 17 CFR 240.17Ad-22(e)(3)(ii). NSCC is a “covered clearing agency” as defined in Rule 17Ad-22(a)(5) under the Act and must comply with paragraph (e) of Rule 17Ad-22.

strategies to be used to conduct an orderly wind-down of NSCC's business in a manner designed to permit the continuation of NSCC's critical services in the event that its recovery efforts are not successful.

The purpose of the rule proposal is to amend the R&W Plan to reflect business and product developments that have taken place since the time it was last amended,<sup>4</sup> make certain changes to improve the clarity of the Plan and make other updates and technical revisions.

NSCC believes that by helping to ensure that the R&W Plan reflects current business and product developments, providing additional clarity, and making necessary grammatical corrections, that the proposed rule change would help it continue to maintain the Plan in a manner that supports the continuity of NSCC's critical services and enables its Members and Limited Members to maintain access to NSCC's services through the transfer of its membership in the event NSCC defaults or the Wind-down Plan is ever triggered by the Board.

### Background

The R&W Plan is managed by the Office of Recovery & Resolution Planning (referred to in the Plan as the "R&R Team") of NSCC's parent company, the Depository Trust & Clearing Corporation ("DTCC"),<sup>5</sup> on behalf of NSCC, with review and oversight by the DTCC Management Committee and the Board. In accordance with the SEC's Approval Order covering the Plan,<sup>6</sup> the Board, or such committees as may be delegated authority by the Board from time to time, is required to review and approve the R&W Plan biennially and would also review and approve any changes that are proposed to the R&W Plan outside of the biennial review. NSCC completed its most recent biennial review in 2022. The proposed rule change reflects amendments proposed to the Plans resulting from that review, which are described in greater detail below. None of the proposed changes modify NSCC's general objectives and approach with respect to its recovery and wind-down strategy as set forth under the current Plan.

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<sup>4</sup> See Securities Exchange Act Release No. 91428 (Mar. 29, 2021), 86 FR 17440 Apr. 2, 2021 (SR-NSCC-2021-004).

<sup>5</sup> DTCC operates on a shared service model with respect to NSCC and its other affiliated clearing agencies, Fixed Income Clearing Corporation ("FICC") and The Depository Trust Company ("DTC"). Most corporate functions are established and managed on an enterprise-wide basis pursuant to intercompany agreements under which it is generally DTCC that provides relevant services to NSCC, FICC and DTC (collectively, the "Clearing Agencies").

<sup>6</sup> Supra note 2.

A. Proposed Amendments to the R&W Plan

NSCC is proposing the changes to the following sections of the Plan based upon business updates and product developments that have occurred since the Plan was last amended.<sup>7</sup>

Section 2.2 (NSCC Guaranteed Services Summary) describes those services in which NSCC in its role as a clearing agency and a central counterparty, provides clearing, netting, and settlement service and a guarantee of completion for broker-to-broker equity, corporate and municipal debt, exchange-traded products and unit investment trust transactions executed on exchanges and other trading venues in the U.S. NSCC proposes to update this section to add a description of a new service, the Securities Financing Transaction (“SFT”) clearing service, which was approved by the Securities and Exchange Commission (“Commission”) in 2022.<sup>8</sup> The SFT service is a central clearing and settlement infrastructure for overnight borrows and loans of equity securities (collectively, securities financing transactions or “SFTs”). The SFT clearing service supports the central clearing of clients’ SFTs intermediated by Sponsoring Members or Agent Clearing Members as well as the central clearing of SFTs between NSCC full-service Members. The SFT clearing service also allows lenders and borrowers to submit pre-established bilaterally-settled SFTs for clearing.

Section 2.4 (Intercompany Arrangements) describes how corporate support services are provided to NSCC from DTCC and DTCC’s other subsidiaries, through intercompany agreements under a shared services model. This section includes a table, (Facilities, Table 2-B), that lists each of the DTCC facilities utilized by the Clearing Agencies and indicates whether the facility is owned or leased. NSCC proposes to update this table to add Washington D.C., London, UK, and McLean, Virginia as additional DTCC facility locations.

Section 2.5 (FMI Links)<sup>9</sup> describes some of the key financial market infrastructures (“FMIs”), both domestic and foreign, that NSCC has identified as critical “links.”<sup>10</sup> As set out in

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<sup>7</sup> Supra note 4.

<sup>8</sup> See Securities Exchange Act Release No. 95011 (May 31, 2022), 87 FR 34339 (Jun. 6, 2022) (SR-NSCC-2022-003) (Order Approving Proposed Rule Change to Introduce Central Clearing for Securities Financing Transaction Clearing Service). NSCC also filed the proposal as advance notice SR-NSCC-2022-801. See Securities Exchange Act Release No. 94998 (May 27, 2022), 87 FR 33528 (Jun. 2, 2022) (SR-NSCC-2022-801) (Notice of No Objection to Advance Notice to Introduce Central Clearing for Securities Financing Transaction Clearing Service). (Securities Exchange Release No. 34-95011 (May 31, 2022), 87 FR 34339 (Jun. 6, 2022) (SR-NSCC-2022-003).

<sup>9</sup> For purposes of consistency, under the proposed rule change all references to “FMI Links” would be revised to refer to these as “Clearing Agency Links.”

<sup>10</sup> As defined in Rule 17Ad-22(a)(8) under the Act, a link “means, for purposes of paragraph (e)(20) of Rule 17Ad-22, a set of contractual and operational arrangements

this section of the Plan, the inventory of NSCC's links is maintained by DTCC's Systemic Risk Office ("SRO") and the SRO has set forth a set of practices and protocols for managing and reviewing the various risks and controls associated with clearing agency links. Based on a change to the SRO Clearing Agency Links-Risk Review Procedures, the proposal would clarify that in addition to approval by the Chief Systemic Risk Officer, the inventory of clearing agency links is also subject to the approval of a Deputy General Counsel of the General Counsel's Office. In addition, for purposes of completeness, the proposed rule change would add a footnote to the table included in this section of the Plan, (Table 2- C, Links), making clear that under SRO's Clearing Agency Links-Risk Review Procedures, trading market links, such as equity alternative trading systems and regulated securities exchanges are also subject to the links risk review process; however, given the large number of these links, they have not been separately delineated in Table 2-C, Links.

Section 3 (Critical Services) defines the criteria for classifying certain of NSCC's services as "critical,"<sup>11</sup> and identifies such critical services and the rationale for their classification. The identification of NSCC's critical services is important for evaluating how the recovery tools and the wind-down strategy would facilitate and provide for the continuation of NSCC's critical services to the markets it serves. There is also a table (Table 3-B: NSCC Critical Services) that lists each of the services, functions or activities that NSCC has identified as "critical" based on the applicability of the criteria. In addition, there is a table (Table 3-C: Indicative Non-Critical NSCC Services) that identifies indicative non-critical services of NSCC, which list is not exhaustive. The proposed rule change would clarify the description of the Account Information Transmission ("AIT") service<sup>12</sup> by making clear that AIT can support transmissions for the bulk account transfer initiative, which is an industry effort to prepare carrying broker-dealers for an emergency mass transfer of large quantities of customer accounts and assets from a distressed broker to a financially secure broker-dealer and that in the absence of this service,

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between two or more clearing agencies, financial market utilities, or trading markets that connect them directly or indirectly for the purposes of participating in settlement, cross margining, expanding their services to additional instruments or participants, or for any other purposes material to their business." 17 CFR 240.17Ad-22(a)(8).

<sup>11</sup> The criteria that is used to identify an NSCC service or function as critical includes consideration as to whether (1) there is a lack of alternative providers or products; (2) failure of the service could impact NSCC's ability to perform its central counterparty services; (3) failure of the service could impact NSCC's ability to perform its netting services, and, as such, the availability of market liquidity; and (4) the service is interconnected with other participants and processes within the U.S. financial system (for example, with other FMIs, settlement banks, broker-dealers, and exchanges).

<sup>12</sup> As set forth in NSCC Rule 59 (Account Information Transmission Service), AIT enables Members to transmit account related information between themselves on an automated basis in respect of the movement of correspondent accounts between Members, or other material events that result in the bulk movement of accounts between Members.

Members/Limited Members can process and settle their investments manually, as transaction volumes are currently low enough to handle manually, or outside of AIP.

Section 5.2.4 (Recovery Corridor and Recovery Phase) outlines the early warning indicators to be used by NSCC to evaluate its options and potentially prepare to enter the “Recovery Phase,” which phase refers to the actions to be taken by NSCC to restore its financial resources and avoid a wind-down of its business. This section contains descriptions of potential stress events that could lead to recovery, and several early warning indicators and metrics that NSCC has established to evaluate its options and potentially prepare to enter the Recovery Phase. These indicators, which are referred to in the Recovery Plan as recovery corridor indicators (“Corridor Indicators” or “Indicator(s)”)<sup>13</sup> are calibrated against NSCC’s financial resources and are designed to give NSCC the ability to replenish financial resources, typically through business-as-usual tools applied prior to entering the Recovery Phase. Included in this section is a table (Table 5-A: Corridor Indicators) that identifies for each Indicator (i) how it is measured, (ii) the basis for the evaluation of the status of the Indicator, (iii) the type of metrics used for determining the status of the deterioration or improvement of the Indicator, and (iv) “Corridor Actions & Escalation,” which are those steps that may be taken to improve the status of the Indicator and the management escalations required to authorize those steps. The proposed rule change would provide the following clarifications to Table 5-A.

First, for purposes of providing additional context on the applicable measurement, the proposed rule change would clarify the entry for the “Hedge Effectiveness” Indicator<sup>14</sup> set out in Table 5-A. Specifically, the language in the measurement column for this Indicator would be revised to clarify that if the hedge effectiveness measures are outside of the designated metrics due to certain types of factors (e.g., mismatch in portfolio profit and loss (“P&L”) and hedge P&L due to timing of initiating the hedge or the portfolio), management would document the performance and only escalate to the Board Risk Committee and Management Risk Committee if the measurement status deteriorates in a material respect.

Second, regarding “Commercial Paper / Extendible Notes,”<sup>15</sup> the description of when the applicable metrics for this Indicator reflect a deterioration would be revised to remove the specific dollar threshold (currently, the inability to source at least \$1.0 billion) and replace it with

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<sup>13</sup> The majority of the Corridor Indicators, as identified in the Recovery Plan, relate directly to conditions that may require NSCC to adjust its strategy for hedging and liquidating a defaulting Member’s portfolio, and any such changes would include an assessment of the status of the Corridor Indicators.

<sup>14</sup> Hedging is a risk management strategy that would be employed when executing the liquidation of a defaulting Member’s portfolio to potentially help reduce the risk of loss of an existing position.

<sup>15</sup> The Commercial Paper/Extendible Notes indicator measures the ability of NSCC to roll-over and potentially increase issuance of its commercial paper.

a general statement regarding NSCC's inability to source additional funding via issuance of commercial paper when needed. The description of the improvement metric would be revised similarly to remove the specific dollar threshold (currently, an ability to source at least \$2.5 billion) and replace it with a general statement of NSCC's ability to source additional funding via issuance of commercial paper. The dollar thresholds would be removed to provide discretion and flexibility to evaluate this indicator and take actions, as needed. Additionally, under "Corridor Actions" for purposes of consistency with the language formulation used for the other Indicators, the statement that currently reads "If this indicator has been triggered, and if less than 50% of overall liquidity resources are available, NSCC would evaluate the liquidation speeds and potential price impacts of increased liquidation speeds – particularly for large positions," would be revised to remove the phrase, "and if less than 50% of overall liquidity resources are available."

Third, for the "Retirements/ Trade Volume Reductions" Indicator,<sup>16</sup> a clarification would be made to identify Client Account Management and NSCC Global Business Operations as the internal groups responsible for measurement of the applicable deterioration and improvement Indicator metrics.

Section 5.3 (Liquidity Shortfalls) identifies tools that may be used to address foreseeable shortfalls in NSCC's liquidity resources following a Member default. The goal in managing NSCC's qualifying liquidity resources is to maximize resource availability in an evolving stress situation, to maintain flexibility in the order and use of sources of liquidity, and to repay any third-party lenders of liquidity in a timely manner. This section includes a table (Table 5-C) that lists NSCC liquidity tools and resources.<sup>17</sup> The proposed rule change would make the following clarifications to Table 5-C: (i) under the entry for the "Unissued Commercial Paper" liquidity resource, the language would be revised to clarify that unissued commercial paper capacity could be deployed, but remove the existing language that it could be increased within 2 weeks depending on market conditions, since this timeframe could be adjusted depending on the overall circumstances, and (ii) under the description of the NSCC's "Non-Qualifying Liquid Resources," for the current language specifying a one-to two week timeframe for NSCC to enter into new Master Repurchase Agreements would be removed because more flexibility of time is needed for NSCC to establish new agreements. Thus, the updated language would state that "NSCC would utilize existing Master Repurchase Agreements or establish new Master Repurchase Agreements utilizing standard agreements."

## B. Other Updates, Clarifications and Technical Revisions

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<sup>16</sup> The Retirements/ Transaction Reductions indicator measures Member terminations or curtailment of transactions that impact the financial viability of NSCC.

<sup>17</sup> Table 5-C lists the following NSCC liquidity tools: Utilize short-settling liquidating trades, Increase the speed of portfolio asset sales, Credit Facility, Unissued Commercial Paper, Non-Qualifying Liquid Resources, and Uncommitted stock loan and equity repos.

NSCC is also proposing to make other updates and technical revisions to the Plan. These technical revisions would, for example, make grammatical corrections, update the names of certain NSCC internal groups, and clarify the description of internal organizations, without changing the substantive statements being revised.

For example, in Section 2.4, Table 2-A (SIFMU Legal Entity Structure and Intercompany Agreements), for purposes of clarifying the full scope of services provided by NSCC's affiliate, DTC, the description of DTC's services would be revised from "Underwriting, Securities Processing, Corporate Actions," to "Asset Services." Some other examples include: (i) a revision would be made throughout the Plan to reflect an internal name change from DTCC's "Operational Risk Management" to "Operational Risk," and add a new internal organization, "Embedded Risk Management,"<sup>18</sup> (ii) all references to "FMI Links" would be revised to refer to these as "Clearing Agency Links," (iii) in the table listing NSCC's liquidity tools (Table 5-C) replacing the terms "medium-term notes" and "term debt" with "senior debt" to more accurately identify the instrument consistent with how DTCC Treasury identifies these, and (iv) in the section covering DTCC facilities, the name of the DTCC legal entity that is the holder of the lease for the Manila location would be changed from "DTCC" to "DTCC Manila."

NSCC believes the proposed updates and technical revisions would improve the clarity and accuracy of the Plan and, therefore, would help facilitate the execution of Plan, if necessary.

(b) Statutory Basis

NSCC believes that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. In particular, NSCC believes that the amendments to the R&W Plan are consistent with Section 17A(b)(3)(F) of the Act<sup>19</sup> and Rule 17Ad-22(e)(3)(ii) under the Act,<sup>20</sup> for the reasons described below.

Section 17A(b)(3)(F) of the Act requires, in part, that the rules of NSCC be designed to promote the prompt and accurate clearance and settlement of securities transactions. As described above, the proposed rule change would update the R&W Plan to reflect business and product developments and make certain technical corrections. By helping to ensure that the R&W Plan reflects current business and product developments, and providing additional clarity, NSCC believes that the proposed rule change would help it continue to maintain the Plan in a manner that supports the continuity of NSCC's critical services and enables its Members and Limited Members to maintain access to NSCC's services through the transfer of its membership

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<sup>18</sup> The Embedded Risk Management group supports the R&R Team. For example, they may assist in the identification of new initiatives, processes, or product developments that may impact NSCC's R&W Plan.

<sup>19</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>20</sup> 17 CFR 240.17Ad-22(e)(3)(ii).

in the event NSCC defaults or the Wind-down Plan is ever triggered by the Board. Further, by facilitating the continuity of its critical clearance and settlement services, NSCC believes the Plan and the proposed rule change would continue to promote the prompt and accurate clearance and settlement of securities transactions. Therefore, NSCC believes the proposed amendments to the R&W Plan are consistent with the requirements of Section 17A(b)(3)(F) of the Act.

Rule 17Ad-22(e)(3)(ii) under the Act requires NSCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to maintain a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, general business, investment, custody, and other risks that arise in or are borne by the covered clearing agency, which includes plans for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses.<sup>21</sup>

Specifically, the Recovery Plan defines the risk management activities, stress conditions and indicators, and tools that NSCC may use to address stress scenarios that could eventually prevent it from being able to provide its critical services as a going concern. Through the framework of the Crisis Continuum, the Recovery Plan addresses measures that NSCC may take to address risks of credit losses and liquidity shortfalls, and other losses that could arise from a Participant default. The Recovery Plan also addresses the management of general business risks and other non-default risks that could lead to losses. The Wind-down Plan would be triggered by a determination by the Board that recovery efforts have not been, or are unlikely to be, successful in returning NSCC to viability as a going concern. Once triggered, the Wind-down Plan sets forth clear mechanisms for the transfer of NSCC's membership and business and is designed to facilitate continued access to NSCC's critical services and to minimize market impact of the transfer. By establishing the framework and strategy for the execution of the transfer and wind-down of NSCC in order to facilitate continuous access to its critical services, the Wind-down Plan establishes a plan for the orderly wind-down of NSCC.

As described above, the proposed rule change would update the R&W Plan to reflect business and product developments and make certain technical corrections. By ensuring that material provisions of the Plan are current, clear, and technically correct, NSCC believes that the proposed amendments are designed to support the maintenance of the Plan for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses, and, as such, meets the requirements of Rule 17Ad-22(e)(3)(ii) under the Act.<sup>22</sup> Therefore, the proposed changes would

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<sup>21</sup> Id.

<sup>22</sup> Id.

help NSCC to maintain the Plan in a way that continues to be consistent with the requirements of Rule 17Ad-22(e)(3)(ii).

#### **4. Clearing Agency's Statement on Burden on Competition**

NSCC does not believe that the proposed rule change would have any impact, or impose any burden, on competition. NSCC does not anticipate that the proposal would affect its day-to-day operations under normal circumstances, or in the management of a typical Member default scenario or non-default event. The R&W Plan was developed and documented to satisfy applicable regulatory requirements, as discussed above. The proposal is intended to enhance and update the Plan to ensure it is clear and remains current in the event it is ever necessary to be implemented. The proposed revisions would not affect any changes to the overall structure or operation of the Plan or NSCC's recovery and wind-down strategy as set forth under the current Plan. As such, NSCC believes the proposal would not have any 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, NSCC will amend this filing to publicly file such comments as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting written 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 [www.sec.gov/regulatory-actions/how-to-submit-comments](http://www.sec.gov/regulatory-actions/how-to-submit-comments).

General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at [tradingandmarkets@sec.gov](mailto:tradingandmarkets@sec.gov) or 202-551-5777.

NSCC reserves the right 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 paragraph A of Section 19(b)(3) of the Act.<sup>23</sup>

(b) The proposed rule change effects a change in an existing service of NSCC that (i) does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible and (ii) does not significantly affect the respective rights or obligations of the clearing agency or persons using the service,<sup>24</sup> because the proposed changes merely provide for amendments to the R&W Plan to reflect business and product developments that have taken place since the time it was last amended and make certain changes to improve the clarity of the Plan and make other updates and technical revisions.

(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.

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<sup>23</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>24</sup> 17 CFR 240.19b-4(f)(4).

Exhibit 4 – Not applicable.

Exhibit 5 – R&W Plan (marked). **Omitted and filed separately with the Commission. Confidential treatment of this Exhibit 5 is being requested pursuant to 17 CFR 240.24b-2.**

**EXHIBIT 1A**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-[\_\_\_\_\_]; File No. SR-NSCC-2023-008)

[DATE]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Recovery and Wind-down Plan

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September \_\_, 2023, 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 Act<sup>3</sup> and Rule 19b-4(f)(4) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change consists of amendments to the Recovery and Wind-down Plan to reflect business and product developments that have taken place since the

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

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

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

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

time it was last amended, and make certain changes to improve the clarity of the Plan and make other updates and technical revisions, as described in greater detail below.<sup>5</sup>

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

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

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

**Executive Summary**

The R&W Plan was adopted in August 2018<sup>6</sup> and is maintained by NSCC for compliance with Rule 17Ad-22(e)(3)(ii) under the Act.<sup>7</sup> This section of the Act requires registered clearing agencies to, in short, establish, implement and maintain plans for the recovery and orderly wind-down of the covered clearing agency necessitated by credit

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<sup>5</sup> Capitalized terms not defined herein are defined in the Rules and Procedures of NSCC (the "Rules"), available at [www.dtcc.com/~media/Files/Downloads/legal/rules/nscc\\_rules.pdf](http://www.dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.pdf), or in the Recovery & Wind-down Plan of NSCC (the "R&W Plan" or "Plan").

<sup>6</sup> See Securities Exchange Act Release Nos. 83974 (Aug. 28, 2018), 83 FR 44988 (Sep. 4, 2018), (SR-NSCC-2017-017); and 83955 (Aug. 27, 2018), 83 FR 44340 (Aug. 30, 2018) (SR-NSCC-2017-805).

<sup>7</sup> 17 CFR 240.17Ad-22(e)(3)(ii). NSCC is a "covered clearing agency" as defined in Rule 17Ad-22(a)(5) under the Act and must comply with paragraph (e) of Rule 17Ad-22.

losses, liquidity shortfalls, losses from general business risk, or any other losses. The Plan is intended to be used by the Board and NSCC management in the event NSCC encounters scenarios that could potentially prevent it from being able to provide its critical services to the marketplace as a going concern.

The R&W Plan is comprised of two primary sections: (i) the “Recovery Plan,” that sets out the tools and strategies to enable NSCC to recover, in the event it experiences losses that exceed its prefunded resources, and (ii) the “Wind-down Plan,” that describes the tools and strategies to be used to conduct an orderly wind-down of NSCC’s business in a manner designed to permit the continuation of NSCC’s critical services in the event that its recovery efforts are not successful.

The purpose of the rule proposal is to amend the R&W Plan to reflect business and product developments that have taken place since the time it was last amended,<sup>8</sup> make certain changes to improve the clarity of the Plan and make other updates and technical revisions.

NSCC believes that by helping to ensure that the R&W Plan reflects current business and product developments, providing additional clarity, and making necessary grammatical corrections, that the proposed rule change would help it continue to maintain the Plan in a manner that supports the continuity of NSCC’s critical services and enables its Members and Limited Members to maintain access to NSCC’s services through the transfer of its membership in the event NSCC defaults or the Wind-down Plan is ever triggered by the Board.

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<sup>8</sup> See Securities Exchange Act Release No. 91428 (Mar. 29, 2021), 86 FR 17440 Apr. 2, 2021 (SR-NSCC-2021-004).

### Background

The R&W Plan is managed by the Office of Recovery & Resolution Planning (referred to in the Plan as the “R&R Team”) of NSCC’s parent company, the Depository Trust & Clearing Corporation (“DTCC”),<sup>9</sup> on behalf of NSCC, with review and oversight by the DTCC Management Committee and the Board. In accordance with the SEC’s Approval Order covering the Plan,<sup>10</sup> the Board, or such committees as may be delegated authority by the Board from time to time, is required to review and approve the R&W Plan biennially and would also review and approve any changes that are proposed to the R&W Plan outside of the biennial review. NSCC completed its most recent biennial review in 2022. The proposed rule change reflects amendments proposed to the Plans resulting from that review, which are described in greater detail below. None of the proposed changes modify NSCC’s general objectives and approach with respect to its recovery and wind-down strategy as set forth under the current Plan.

#### A. Proposed Amendments to the R&W Plan

NSCC is proposing the changes to the following sections of the Plan based upon business updates and product developments that have occurred since the Plan was last amended.<sup>11</sup>

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<sup>9</sup> DTCC operates on a shared service model with respect to NSCC and its other affiliated clearing agencies, Fixed Income Clearing Corporation (“FICC”) and The Depository Trust Company (“DTC”). Most corporate functions are established and managed on an enterprise-wide basis pursuant to intercompany agreements under which it is generally DTCC that provides relevant services to NSCC, FICC and DTC (collectively, the “Clearing Agencies”).

<sup>10</sup> Supra note 6.

<sup>11</sup> Supra note 8.

Section 2.2 (NSCC Guaranteed Services Summary) describes those services in which NSCC in its role as a clearing agency and a central counterparty, provides clearing, netting, and settlement service and a guarantee of completion for broker-to-broker equity, corporate and municipal debt, exchange-traded products and unit investment trust transactions executed on exchanges and other trading venues in the U.S. NSCC proposes to update this section to add a description of a new service, the Securities Financing Transaction (“SFT”) clearing service, which was approved by the Commission in 2022.<sup>12</sup> The SFT service is a central clearing and settlement infrastructure for overnight borrows and loans of equity securities (collectively, securities financing transactions or “SFTs”). The SFT clearing service supports the central clearing of clients’ SFTs intermediated by Sponsoring Members or Agent Clearing Members as well as the central clearing of SFTs between NSCC full-service Members. The SFT clearing service also allows lenders and borrowers to submit pre-established bilaterally-settled SFTs for clearing.

Section 2.4 (Intercompany Arrangements) describes how corporate support services are provided to NSCC from DTCC and DTCC’s other subsidiaries, through intercompany agreements under a shared services model. This section includes a table, (Facilities, Table 2-B), that lists each of the DTCC facilities utilized by the Clearing Agencies and indicates whether the facility is owned or leased. NSCC proposes to update

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<sup>12</sup> See Securities Exchange Act Release No. 95011 (May 31, 2022), 87 FR 34339 (Jun. 6, 2022) (SR-NSCC-2022-003) (Order Approving Proposed Rule Change to Introduce Central Clearing for Securities Financing Transaction Clearing Service). NSCC also filed the proposal as advance notice SR-NSCC-2022-801. See Securities Exchange Act Release No. 94998 (May 27, 2022), 87 FR 33528 (Jun. 2, 2022) (SR-NSCC-2022-801) (Notice of No Objection to Advance Notice to Introduce Central Clearing for Securities Financing Transaction Clearing Service). (Securities Exchange Release No. 34-95011 (May 31, 2022), 87 FR 34339 (Jun. 6, 2022) (SR-NSCC-2022-003).

this table to add Washington D.C., London, UK, and McLean, Virginia as additional DTCC facility locations.

Section 2.5 (FMI Links)<sup>13</sup> describes some of the key financial market infrastructures (“FMIs”), both domestic and foreign, that NSCC has identified as critical “links.”<sup>14</sup> As set out in this section of the Plan, the inventory of NSCC’s links is maintained by DTCC’s Systemic Risk Office (“SRO”) and the SRO has set forth a set of practices and protocols for managing and reviewing the various risks and controls associated with clearing agency links. Based on a change to the SRO Clearing Agency Links-Risk Review Procedures, the proposal would clarify that in addition to approval by the Chief Systemic Risk Officer, the inventory of clearing agency links is also subject to the approval of a Deputy General Counsel of the General Counsel’s Office. In addition, for purposes of completeness, the proposed rule change would add a footnote to the table included in this section of the Plan, (Table 2- C, Links), making clear that under SRO’s Clearing Agency Links-Risk Review Procedures, trading market links, such as equity alternative trading systems and regulated securities exchanges are also subject to the links risk review process; however, given the large number of these links, they have not been separately delineated in Table 2-C, Links.

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<sup>13</sup> For purposes of consistency, under the proposed rule change all references to “FMI Links” would be revised to refer to these as “Clearing Agency Links.”

<sup>14</sup> As defined in Rule 17Ad-22(a)(8) under the Act, a link “means, for purposes of paragraph (e)(20) of Rule 17Ad-22, a set of contractual and operational arrangements between two or more clearing agencies, financial market utilities, or trading markets that connect them directly or indirectly for the purposes of participating in settlement, cross margining, expanding their services to additional instruments or participants, or for any other purposes material to their business.” 17 CFR 240.17Ad-22(a)(8).

Section 3 (Critical Services) defines the criteria for classifying certain of NSCC's services as "critical,"<sup>15</sup> and identifies such critical services and the rationale for their classification. The identification of NSCC's critical services is important for evaluating how the recovery tools and the wind-down strategy would facilitate and provide for the continuation of NSCC's critical services to the markets it serves. There is also a table (Table 3-B: NSCC Critical Services) that lists each of the services, functions or activities that NSCC has identified as "critical" based on the applicability of the criteria. In addition, there is a table (Table 3-C: Indicative Non-Critical NSCC Services) that identifies indicative non-critical services of NSCC, which list is not exhaustive. The proposed rule change would clarify the description of the Account Information Transmission ("AIT") service<sup>16</sup> by making clear that AIT can support transmissions for the bulk account transfer initiative, which is an industry effort to prepare carrying broker-dealers for an emergency mass transfer of large quantities of customer accounts and assets from a distressed broker to a financially secure broker-dealer and that in the absence of this service, Members/Limited Members can process and settle their

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<sup>15</sup> The criteria that is used to identify an NSCC service or function as critical includes consideration as to whether (1) there is a lack of alternative providers or products; (2) failure of the service could impact NSCC's ability to perform its central counterparty services; (3) failure of the service could impact NSCC's ability to perform its netting services, and, as such, the availability of market liquidity; and (4) the service is interconnected with other participants and processes within the U.S. financial system (for example, with other FMIs, settlement banks, broker-dealers, and exchanges).

<sup>16</sup> As set forth in NSCC Rule 59 (Account Information Transmission Service), AIT enables Members to transmit account related information between themselves on an automated basis in respect of the movement of correspondent accounts between Members, or other material events that result in the bulk movement of accounts between Members.

investments manually, as transaction volumes are currently low enough to handle manually, or outside of AIP.

Section 5.2.4 (Recovery Corridor and Recovery Phase) outlines the early warning indicators to be used by NSCC to evaluate its options and potentially prepare to enter the “Recovery Phase,” which phase refers to the actions to be taken by NSCC to restore its financial resources and avoid a wind-down of its business. This section contains descriptions of potential stress events that could lead to recovery, and several early warning indicators and metrics that NSCC has established to evaluate its options and potentially prepare to enter the Recovery Phase. These indicators, which are referred to in the Recovery Plan as recovery corridor indicators (“Corridor Indicators” or “Indicator(s)”),<sup>17</sup> are calibrated against NSCC’s financial resources and are designed to give NSCC the ability to replenish financial resources, typically through business-as-usual tools applied prior to entering the Recovery Phase. Included in this section is a table (Table 5-A: Corridor Indicators) that identifies for each Indicator (i) how it is measured, (ii) the basis for the evaluation of the status of the Indicator, (iii) the type of metrics used for determining the status of the deterioration or improvement of the Indicator, and (iv) “Corridor Actions & Escalation,” which are those steps that may be taken to improve the status of the Indicator and the management escalations required to authorize those steps. The proposed rule change would provide the following clarifications to Table 5-A.

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<sup>17</sup> The majority of the Corridor Indicators, as identified in the Recovery Plan, relate directly to conditions that may require NSCC to adjust its strategy for hedging and liquidating a defaulting Member’s portfolio, and any such changes would include an assessment of the status of the Corridor Indicators.

First, for purposes of providing additional context on the applicable measurement, the proposed rule change would clarify the entry for the “Hedge Effectiveness” Indicator<sup>18</sup> set out in Table 5-A. Specifically, the language in the measurement column for this Indicator would be revised to clarify that if the hedge effectiveness measures are outside of the designated metrics due to certain types of factors (e.g., mismatch in portfolio profit and loss (“P&L”) and hedge P&L due to timing of initiating the hedge or the portfolio), management would document the performance and only escalate to the Board Risk Committee and Management Risk Committee if the measurement status deteriorates in a material respect.

Second, regarding “Commercial Paper / Extendible Notes,”<sup>19</sup> the description of when the applicable metrics for this Indicator reflect a deterioration would be revised to remove the specific dollar threshold (currently, the inability to source at least \$1.0 billion) and replace it with a general statement regarding NSCC’s inability to source additional funding via issuance of commercial paper when needed. The description of the improvement metric would be revised similarly to remove the specific dollar threshold (currently, an ability to source at least \$2.5 billion) and replace it with a general statement of NSCC’s ability to source additional funding via issuance of commercial paper. The dollar thresholds would be removed to provide discretion and flexibility to evaluate this indicator and take actions, as needed. Additionally, under “Corridor Actions” for purposes of consistency with the language formulation used for the other Indicators, the statement

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<sup>18</sup> Hedging is a risk management strategy that would be employed when executing the liquidation of a defaulting Member’s portfolio to potentially help reduce the risk of loss of an existing position.

<sup>19</sup> The Commercial Paper/Extendible Notes indicator measures the ability of NSCC to roll-over and potentially increase issuance of its commercial paper.

that currently reads “If this indicator has been triggered, and if less than 50% of overall liquidity resources are available, NSCC would evaluate the liquidation speeds and potential price impacts of increased liquidation speeds – particularly for large positions,” would be revised to remove the phrase, “and if less than 50% of overall liquidity resources are available.”

Third, for the “Retirements/ Trade Volume Reductions” Indicator,<sup>20</sup> a clarification would be made to identify Client Account Management and NSCC Global Business Operations as the internal groups responsible for measurement of the applicable deterioration and improvement Indicator metrics.

Section 5.3 (Liquidity Shortfalls) identifies tools that may be used to address foreseeable shortfalls in NSCC’s liquidity resources following a Member default. The goal in managing NSCC’s qualifying liquidity resources is to maximize resource availability in an evolving stress situation, to maintain flexibility in the order and use of sources of liquidity, and to repay any third-party lenders of liquidity in a timely manner. This section includes a table (Table 5-C) that lists NSCC liquidity tools and resources.<sup>21</sup> The proposed rule change would make the following clarifications to Table 5-C: (i) under the entry for the “Unissued Commercial Paper” liquidity resource, the language would be revised to clarify that unissued commercial paper capacity could be deployed, but remove the existing language that it could be increased within 2 weeks depending on market

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<sup>20</sup> The Retirements/ Transaction Reductions indicator measures Member terminations or curtailment of transactions that impact the financial viability of NSCC.

<sup>21</sup> Table 5-C lists the following NSCC liquidity tools: Utilize short-settling liquidating trades, Increase the speed of portfolio asset sales, Credit Facility, Unissued Commercial Paper, Non-Qualifying Liquid Resources, and Uncommitted stock loan and equity repos.

conditions, since this timeframe could be adjusted depending on the overall circumstances, and (ii) under the description of the NSCC’s “Non-Qualifying Liquid Resources,” for the current language specifying a one-to two week timeframe for NSCC to enter into new Master Repurchase Agreements would be removed because more flexibility of time is needed for NSCC to establish new agreements. Thus, the updated language would state that “NSCC would utilize existing Master Repurchase Agreements or establish new Master Repurchase Agreements utilizing standard agreements.”

B. Other Updates, Clarifications and Technical Revisions

NSCC is also proposing to make other updates and technical revisions to the Plan. These technical revisions would, for example, make grammatical corrections, update the names of certain NSCC internal groups, and clarify the description of internal organizations, without changing the substantive statements being revised.

For example, in Section 2.4, Table 2-A (SIFMU Legal Entity Structure and Intercompany Agreements), for purposes of clarifying the full scope of services provided by NSCC’s affiliate, DTC, the description of DTC’s services would be revised from “Underwriting, Securities Processing, Corporate Actions,” to “Asset Services.” Some other examples include: (i) a revision would be made throughout the Plan to reflect an internal name change from DTCC’s “Operational Risk Management” to “Operational Risk,” and add a new internal organization, “Embedded Risk Management,”<sup>22</sup> (ii) all references to “FMI Links” would be revised to refer to these as “Clearing Agency Links,” (iii) in the table listing NSCC’s liquidity tools (Table 5-C) replacing the terms “medium-

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<sup>22</sup> The Embedded Risk Management group supports the R&R Team. For example, they may assist in the identification of new initiatives, processes, or product developments that may impact NSCC’s R&W Plan.

term notes” and “term debt” with “senior debt” to more accurately identify the instrument consistent with how DTCC Treasury identifies these, and (iv) in the section covering DTCC facilities, the name of the DTCC legal entity that is the holder of the lease for the Manila location would be changed from “DTCC” to “DTCC Manila.”

NSCC believes the proposed updates and technical revisions would improve the clarity and accuracy of the Plan and, therefore, would help facilitate the execution of Plan, if necessary.

2. Statutory Basis

NSCC believes that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. In particular, NSCC believes that the amendments to the R&W Plan are consistent with Section 17A(b)(3)(F) of the Act<sup>23</sup> and Rule 17Ad-22(e)(3)(ii) under the Act,<sup>24</sup> for the reasons described below.

Section 17A(b)(3)(F) of the Act requires, in part, that the rules of NSCC be designed to promote the prompt and accurate clearance and settlement of securities transactions. As described above, the proposed rule change would update the R&W Plan to reflect business and product developments and make certain technical corrections. By helping to ensure that the R&W Plan reflects current business and product developments, and providing additional clarity, NSCC believes that the proposed rule change would help it continue to maintain the Plan in a manner that supports the continuity of NSCC’s critical services and enables its Members and Limited Members to maintain access to

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<sup>23</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>24</sup> 17 CFR 240.17Ad-22(e)(3)(ii).

NSCC's services through the transfer of its membership in the event NSCC defaults or the Wind-down Plan is ever triggered by the Board. Further, by facilitating the continuity of its critical clearance and settlement services, NSCC believes the Plan and the proposed rule change would continue to promote the prompt and accurate clearance and settlement of securities transactions. Therefore, NSCC believes the proposed amendments to the R&W Plan are consistent with the requirements of Section 17A(b)(3)(F) of the Act.

Rule 17Ad-22(e)(3)(ii) under the Act requires NSCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to maintain a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, general business, investment, custody, and other risks that arise in or are borne by the covered clearing agency, which includes plans for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses.<sup>25</sup>

Specifically, the Recovery Plan defines the risk management activities, stress conditions and indicators, and tools that NSCC may use to address stress scenarios that could eventually prevent it from being able to provide its critical services as a going concern. Through the framework of the Crisis Continuum, the Recovery Plan addresses measures that NSCC may take to address risks of credit losses and liquidity shortfalls, and other losses that could arise from a Participant default. The Recovery Plan also addresses the management of general business risks and other non-default risks that could lead to losses. The Wind-down Plan would be triggered by a determination by the Board that recovery efforts have not been, or are unlikely to be, successful in returning NSCC to

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Id.

viability as a going concern. Once triggered, the Wind-down Plan sets forth clear mechanisms for the transfer of NSCC's membership and business and is designed to facilitate continued access to NSCC's critical services and to minimize market impact of the transfer. By establishing the framework and strategy for the execution of the transfer and wind-down of NSCC in order to facilitate continuous access to its critical services, the Wind-down Plan establishes a plan for the orderly wind-down of NSCC.

As described above, the proposed rule change would update the R&W Plan to reflect business and product developments and make certain technical corrections. By ensuring that material provisions of the Plan are current, clear, and technically correct, NSCC believes that the proposed amendments are designed to support the maintenance of the Plan for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses, and, as such, meets the requirements of Rule 17Ad-22(e)(3)(ii) under the Act.<sup>26</sup> Therefore, the proposed changes would help NSCC to maintain the Plan in a way that continues to be consistent with the requirements of Rule 17Ad-22(e)(3)(ii).

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

NSCC does not believe that the proposed rule change would have any impact, or impose any burden, on competition. NSCC does not anticipate that the proposal would affect its day-to-day operations under normal circumstances, or in the management of a typical Member default scenario or non-default event. The R&W Plan was developed and documented to satisfy applicable regulatory requirements, as discussed above. The proposal is intended to enhance and update the Plan to ensure it is clear and remains

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<sup>26</sup> Id.

current in the event it is ever necessary to be implemented. The proposed revisions would not affect any changes to the overall structure or operation of the Plan or NSCC's recovery and wind-down strategy as set forth under the current Plan. As such, NSCC believes the proposal would not have any 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, NSCC will amend this filing to publicly file such comments as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting written 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 [www.sec.gov/regulatory-actions/how-to-submit-comments](http://www.sec.gov/regulatory-actions/how-to-submit-comments).

General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at [tradingandmarkets@sec.gov](mailto:tradingandmarkets@sec.gov) or 202-551-5777.

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>27</sup> of the Act and paragraph (f)<sup>28</sup> of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NSCC-2023-008 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-2023-008. This file number should be included on the subject line if e-mail is used. To help the Commission process

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<sup>27</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>28</sup> 17 CFR 240.19b-4(f).

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>). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-NSCC-2023-008 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>29</sup>

Secretary

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<sup>29</sup> 17 CFR 200.30-3(a)(12).

## EXHIBIT 5

**The information contained in this Exhibit 5 is subject to exemption from mandatory disclosure under Exemption #4 of the Freedom of Information Act because the information concerns commercial or financial information which could harm the competitive posture or business interests of National Securities Clearing Corporation (NSCC). This Exhibit 5 contains one or more electronic files embedded in a two-page document for filing efficiency, as listed below. The information contained in the embedded file is not intended for public disclosure. Accordingly, this Exhibit 5 has been redacted and confidential treatment requested pursuant to 17 CFR 240.24b-2. An unredacted version of the embedded file was filed separately and confidentially with the Securities and Exchange Commission. Notwithstanding the request for confidential treatment, NSCC believes the substance of this Exhibit 5 is clearly and adequately described in the accompanying Exhibit 1A and Form 19b-4 narrative to the proposed rule change filing, thus allowing for meaningful public comment.**

Embedded File:

- **NSCC Recovery & Wind-down Plan; 80 pages; Amended Recovery & Wind-down Plan**

**PAGE REDACTED IN ITS ENTIRETY**