

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 31		SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No. * SR 2024 - * 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 checked="" type="checkbox"/>		Section 19(b)(3)(A) * <input type="checkbox"/>		Section 19(b)(3)(B) * <input type="checkbox"/>	
Pilot <input type="checkbox"/>		Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	
		Rule			
		<input type="checkbox"/> 19b-4(f)(1)		<input type="checkbox"/> 19b-4(f)(4)	
		<input type="checkbox"/> 19b-4(f)(2)		<input type="checkbox"/> 19b-4(f)(5)	
		<input type="checkbox"/> 19b-4(f)(3)		<input type="checkbox"/> 19b-4(f)(6)	
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/>			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>		
Exhibit 2 Sent As Paper Document <input type="checkbox"/>			Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
<b>Description</b> Provide a brief description of the action (limit 250 characters, required when Initial is checked *). <div>Decommission the ID Net Service</div>					
<b>Contact Information</b> 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]					
<b>Signature</b> 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 09/12/2024 (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: 2024.09.12 12:17:07 -04'00'					

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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 ID Net - Final.docx

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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Exhibit 1A - NSCC ID Net - Final.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.

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Exhibit Sent As Paper Document

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

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

☐

Exhibit Sent As Paper Document

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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Exhibit 5 - NSCC ID Net - Final.docx

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) 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> National Securities Clearing Corporation (“NSCC”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to modify the NSCC Rules & Procedures (“Rules”) to decommission the ID Net service (“ID Net Service” or “ID Net”). The proposed modifications to the Rules are annexed hereto as Exhibit 5.<sup>3</sup>

(b) Not applicable.

(c) Not applicable.

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

The proposed rule change was approved by the Enterprise Services Committee of the Board of Directors of NSCC at a meeting held on September 10, 2024.

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

### **(a) Purpose**

The purpose of this proposed rule change is to amend the NSCC Rules to permit NSCC to decommission the ID Net Service, a joint service of NSCC and its affiliate, The Depository Trust Company (“DTC”). The proposed rule change is discussed in detail below.

## **Background**

The ID Net Service is a joint service offering of NSCC and DTC that allows broker/dealer users to net their affirmed institutional equity trades with other trades that they may have in NSCC’s Continuous Net Settlement system (“CNS”).<sup>4</sup> CNS is NSCC’s system for accounting and settling CNS-eligible securities.<sup>5</sup> To be CNS-eligible, a security must be eligible for book-entry transfer on the books of DTC and must be capable of being processed in the CNS system. All eligible compared and recorded transactions for a particular settlement date are netted by issue into one net long (buy), net short (sell) or flat position for each Member. As a

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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> Capitalized terms not defined herein shall have the meaning assigned to such terms in the Rules, available at [www.dtcc.com/legal/rules-and-procedures](http://www.dtcc.com/legal/rules-and-procedures).

<sup>4</sup> DTC also filed a proposed rule change with the Commission in connection with the retirement of the ID Net Service. See DTC filing SR-DTC-2024-010.

<sup>5</sup> See NSCC Rule 11 (describing the CNS System) and Procedure VII (describing the CNS Accounting Operation), supra note 3.

continuous net system, those positions are further netted with positions of the same issue that remain open after their originally scheduled settlement date. NSCC, as central counterparty, becomes the contra-party for settlement purposes, assuming the obligation of its Members that are receiving securities to receive and pay for those securities, and the obligation of Members that are delivering securities to make the delivery. CNS netting thus reduces the costs associated with securities transfers by reducing the number of securities movements required to settle transactions. ID Net is a voluntary service available to broker/dealers that are participants of both NSCC and DTC and banks that are participants of DTC.

DTC may accept affirmed institutional transactions<sup>6</sup> (“Affirmed Transactions”) from a matching utility (“Matching Utility”).<sup>7</sup> An Affirmed Transaction submitted to DTC is processed on a trade-for-trade basis at DTC, unless it is designated for ID Net processing by the Matching Utility and meets certain eligibility requirements, as described below.

In order for an Affirmed Transaction to be eligible for processing in ID Net, (i) both counterparties to the Affirmed Transaction must be a Member of NSCC and a Participant of DTC, or a bank that is a Participant of DTC, that has subscribed to ID Net and (ii) the transaction must be (a) in a security eligible for processing through CNS and (b) affirmed within established timeframes set forth in the DTC Settlement Service Guide.<sup>8</sup>

If an Affirmed Transaction is designated for ID Net and meets the eligibility criteria described above, then DTC will direct the transaction to ID Net, which facilitates the netting of a broker/dealer’s side of an Affirmed Transaction with that broker/dealer’s CNS activity, via omnibus accounts, that are maintained by NSCC at DTC and designated for ID Net activity. If a bank is a counterparty to the ID Net-eligible Affirmed Transaction, then it will either receive or deliver the subject shares versus payment, on a trade-for-trade basis, via the ID Net omnibus accounts.

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<sup>6</sup> An institutional transaction is one between a broker/dealer and its institutional customer. Such institutional customers are not Participants of DTC. Therefore, the counterparties on an Affirmed Transaction submitted by a Matching Utility to DTC are a (i) DTC Participant, acting as clearing broker to the Affirmed Transaction and (ii) DTC Participant bank, acting as the custodian for an institutional customer.

<sup>7</sup> The Matching Utility must be (i) a clearing agency registered with the Commission (ii) an entity that has obtained an exemption from such registration from the Commission, or (iii) a “qualified vendor” for trade confirmation/affirmation services as defined by the rules of a self-regulatory organization. See DTC Settlement Service Guide at 38, [available at](http://www.dtcc.com/-/media/Files/Downloads/legal/service-guides/Settlement.pdf) [www.dtcc.com/-/media/Files/Downloads/legal/service-guides/Settlement.pdf](http://www.dtcc.com/-/media/Files/Downloads/legal/service-guides/Settlement.pdf). DTCC ITP Matching (US) LLC (“ITP”), an NSCC and DTC affiliate, is currently the only Matching Utility that submits Affirmed Transactions to DTC.

<sup>8</sup> See DTC Settlement Service Guide, supra note 7 at 40-41.

While ID Net was designed to allow broker/dealers to realize the benefit of netting for Affirmed Transactions by allowing the broker/dealer to net its ID Net-eligible Affirmed Transactions with its transactions in CNS, banks using ID Net settle ID Net transactions on a trade-for-trade basis as they would for other Affirmed Transactions, as described above. In this regard, ID Net's main benefit is to streamline clearance and settlement of ID Net-eligible Affirmed Transactions for broker/dealers.

The ID Net Service is primarily described in NSCC Rule 65 and Procedure XVI of the Rules.

### **Proposed Changes**

NSCC and DTC continually evaluate the efficiency and effectiveness of the services they each provide. As part of these evaluations, and in furtherance of their ongoing modernization efforts, NSCC and DTC are seeking to streamline and simplify their services and processes, including through the elimination of underutilized services. NSCC and DTC have identified ID Net as an underused service that may be eliminated as part of these modernization efforts. They each propose to retire the ID Net Service due to a number of factors, which include: (i) limited uptake and usage of the service since its adoption; (ii) the operational complexity of maintaining the service, which also connects with and impacts other core clearance and settlement processes;<sup>9</sup> and (iii) the prior elimination of the NSCC Clearing Fund offset for ID Net transactions.<sup>10</sup>

To implement the proposed change, NSCC would remove Rule 65 and Procedure XVI from the Rules and make other conforming changes throughout the Rules to reflect the retirement of the service. The ID Net Service is primarily described in NSCC Rule 65 and Procedure XVI, and these rules would no longer be necessary or relevant upon the retirement of the ID Net Service. As a result, Rule 65 and Procedure XVI would be deleted in their entirety and would be reserved for future use by NSCC.

NSCC would also remove associated defined terms "Eligible ID Net Security" and "ID Net Subscriber" from Rule 1 and remove a reference to ID Net transactions from the definition of "Net Unsettled Position" in Rule 1. In addition, NSCC would remove Section 1(f) of Rule 3, concerning certain lists required to be maintained by NSCC, to reflect that NSCC would no longer be required to maintain a list of Eligible ID Net Securities and would make a conforming change to renumber existing Section 1(g) of Rule 3 to Section 1(f). NSCC would also remove

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<sup>9</sup> This complexity includes (i) special eligibility checks versus the ID Net eligibility criteria described above and (ii) leveraging of the above-mentioned omnibus accounts to simultaneously allow (a) a bank to process ID Net-eligible transactions on a trade-for-trade basis and (b) the broker/dealer side of an ID Net-eligible transaction to settle CNS.

<sup>10</sup> In 2021, NSCC adopted a proposed rule change to remove transactions processed through the ID Net Service from the calculation of Members' Required Deposits to the Clearing Fund. See Securities Exchange Act Release No. 93070 (Sep. 20, 2021), 86 FR 53125 (Sep. 24, 2021) (SR-NSCC-2021-011).

Section 2(a)(vii) of Rule 18, which concerns procedures for when NSCC ceases to act for a Member, to reflect that uncompleted ID Net Service transactions would no longer be considered for purposes of determining excluded transactions in a cease to act scenario.

Additionally, NSCC would modify Procedure VII, concerning its CNS Accounting Operation, to remove various references to the ID Net Service and ID Net transactions. Specifically, NSCC would revise the Introduction in Section A to remove a reference to Eligible ID Net Securities being included in CNS Securities for purpose of Procedure VII. NSCC would also modify Section D.1., concerning the process for exemptions from deliveries, to remove a statement regarding the treatment of securities available in an agency account established at a Qualified Securities Depository for the processing of transactions through the ID Net Service. In addition, NSCC would modify Section E.4, concerning the allocation algorithm for CNS deliveries, to remove a statement regarding the treatment of long positions in a receiving ID Net Subscriber's agency account established at a Qualified Securities Depository. NSCC would also delete Section H.5. of Procedure VII concerning the reporting of ID Net transactions on NSCC's Miscellaneous Activity Report and make conforming changes to renumber subsequent rules in Section H.

Finally, NSCC would update Section I.(A)(1)(b) of Procedure XV, concerning NSCC's Clearing Fund calculations, to remove a reference to ID Net transactions from the Mark-to-Market component of the Clearing Fund formula.

NSCC believes that the retirement of the ID Net Service would have minimal impact on its Members. Only 13 broker/dealers and 20 banks are subscribed to the ID Net Service, and the service is not used by all of those broker/dealers and banks.<sup>11</sup> Furthermore, Affirmed Transactions can simply settle trade-for-trade, directly between the counterparties, if not eligible for ID Net, like they do today. NSCC also notes that there would be minimal impact to risk management from both an NSCC and Member perspective given that the ID Net Service is a non-guaranteed service of NSCC<sup>12</sup> and there is no longer a Clearing Fund offset for ID Net transactions.<sup>13</sup>

NSCC has performed direct outreach to Members that use the ID Net Service and has also announced its plans to decommission the ID Net Service through Important Notice. There have been no material objections or concerns raised by Members.

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<sup>11</sup> Active users of the ID Net service constitute less than 10% of NSCC's full-service Members. NSCC believes that ID Net usage has been limited since its implementation in 2008 because, in part, the service needs both parties to an ID Net transaction to be subscribers of ID Net, as described above, which is not always the case.

<sup>12</sup> See NSCC Rule 65, Section 5(c), supra note 3.

<sup>13</sup> See supra note 10.

## Implementation Timeframe

Subject to approval by the Commission, DTC and NSCC would implement the proposed rule change using a phased approach. First, DTC Participants and NSCC Members have been informed that they may be unsubscribed from ID Net voluntarily at any time prior to termination of the service on November 15, 2024. Second, upon approval of the proposed rule change by the Commission prior to November 15, 2024, any DTC Participants and NSCC Members that have been inactive in the service for at least the last twelve (12) months will be offboarded from the service. Finally, NSCC and DTC will continue to fully support ID Net processing for any remaining active users until November 15, 2024, at which time the service will be fully retired. NSCC and DTC will work with their respective Members and Participants to support all required offboarding activities.

### (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 the Act<sup>14</sup> requires that the rules of a clearing agency be designed to, among other things, promote the prompt and accurate clearance and settlement of securities transactions. NSCC believes the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act for the reasons stated below.

The proposed rule change would modify the NSCC Rules to decommission the ID Net Service because the service is hardly used yet challenging to maintain. As discussed above, NSCC believes that the retirement of the ID Net Service would have minimal impact on its Members, particularly given the limited usage of the service. Furthermore, Affirmed Transactions that would have otherwise been directed to ID Net can simply settle trade-for-trade, directly between the counterparties, like most other Affirmed Transactions do today. As a result, these transactions would continue to settle promptly and accurately, as other Affirmed Transactions do, outside of the ID Net Service. For these reasons, NSCC believes its Rules would continue to promote the prompt and accurate clearance and settlement of securities transactions in accordance with Section 17A(b)(3)(F) of the Act.<sup>15</sup>

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

Section 17A(b)(3)(I) of the Act<sup>16</sup> requires that the rules of the clearing agency do not impose any burden on competition not necessary or appropriate in furtherance of the Act. NSCC does not believe the proposed rule change would present a burden on competition. While there may be some operational impact to the small segment of Members using the ID Net Service, NSCC believes the operational impact to these Members and their clients would be minimal.

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<sup>14</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>15</sup> Id.

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

While broker/dealer Members using the service may see some reduced netting benefit from eligible Affirmed Transactions being processed through CNS, NSCC does not believe the elimination of this service would rise to the level of a burden on Members given the limited usage of the service. Meanwhile, banks using ID Net would continue to process affected Affirmed Transactions trade-for-trade, albeit directly with their counterparties rather than the ID Net omnibus accounts, described above. Furthermore, NSCC notes that there would be no risk management impact for the proposed rule change given that the ID Net Service is a non-guaranteed service of NSCC and there is no Clearing Fund offset for ID Net transactions.<sup>17</sup> NSCC therefore believes the proposed rule change would not present 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 by NSCC, 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 [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 not to respond to any comments received.

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

NSCC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act<sup>18</sup> for Commission action.

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

(a) Not applicable.

(b) Not applicable.

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<sup>17</sup> See supra notes 10 and 12.

<sup>18</sup> 15 U.S.C. 78s(b)(2).

(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.

**EXHIBIT 1A**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-[\_\_\_\_]; File No. SR-NSCC-2024-008)

[DATE]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change to Decommission the ID Net Service

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 \_\_, 2024, 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. 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 NSCC Rules & Procedures (“Rules”) to decommission the ID Net service (“ID Net Service” or “ID Net”), as described in greater detail below.<sup>3</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

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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> Capitalized terms not defined herein shall have the meaning assigned to such terms in the Rules, available at [www.dtcc.com/legal/rules-and-procedures.aspx](http://www.dtcc.com/legal/rules-and-procedures.aspx).

comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of this proposed rule change is to amend the NSCC Rules to permit NSCC to decommission the ID Net Service, a joint service of NSCC and its affiliate, The Depository Trust Company ("DTC"). The proposed rule change is discussed in detail below.

(i) Background

The ID Net Service is a joint service offering of NSCC and DTC that allows broker/dealer users to net their affirmed institutional equity trades with other trades that they may have in NSCC's Continuous Net Settlement system ("CNS").<sup>4</sup> CNS is NSCC's system for accounting and settling CNS-eligible securities.<sup>5</sup> To be CNS-eligible, a security must be eligible for book-entry transfer on the books of DTC and must be capable of being processed in the CNS system. All eligible compared and recorded transactions for a particular settlement date are netted by issue into one net long (buy), net short (sell) or flat position for each Member. As a continuous net system, those

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<sup>4</sup> DTC also filed a proposed rule change with the Commission in connection with the retirement of the ID Net Service. See DTC filing SR-DTC-2024-010.

<sup>5</sup> See NSCC Rule 11 (describing the CNS System) and Procedure VII (describing the CNS Accounting Operation), supra note 3.

positions are further netted with positions of the same issue that remain open after their originally scheduled settlement date. NSCC, as central counterparty, becomes the counterparty for settlement purposes, assuming the obligation of its Members that are receiving securities to receive and pay for those securities, and the obligation of Members that are delivering securities to make the delivery. CNS netting thus reduces the costs associated with securities transfers by reducing the number of securities movements required to settle transactions. ID Net is a voluntary service available to broker/dealers that are participants of both NSCC and DTC and banks that are participants of DTC.

DTC may accept affirmed institutional transactions<sup>6</sup> (“Affirmed Transactions”) from a matching utility (“Matching Utility”).<sup>7</sup> An Affirmed Transaction submitted to DTC is processed on a trade-for-trade basis at DTC, unless it is designated for ID Net processing by the Matching Utility and meets certain eligibility requirements, as described below.

In order for an Affirmed Transaction to be eligible for processing in ID Net, (i) both counterparties to the Affirmed Transaction must be a Member of NSCC and a

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<sup>6</sup> An institutional transaction is one between a broker/dealer and its institutional customer. Such institutional customers are not Participants of DTC. Therefore, the counterparties on an Affirmed Transaction submitted by a Matching Utility to DTC are a (i) DTC Participant, acting as clearing broker to the Affirmed Transaction and (ii) DTC Participant bank, acting as the custodian for an institutional customer.

<sup>7</sup> The Matching Utility must be (i) a clearing agency registered with the Commission (ii) an entity that has obtained an exemption from such registration from the Commission, or (iii) a “qualified vendor” for trade confirmation/affirmation services as defined by the rules of a self-regulatory organization. See DTC Settlement Service Guide at 38, available at [www.dtcc.com/-/media/Files/Downloads/legal/service-guides/Settlement.pdf](http://www.dtcc.com/-/media/Files/Downloads/legal/service-guides/Settlement.pdf). DTCC ITP Matching (US) LLC (“ITP”), an NSCC and DTC affiliate, is currently the only Matching Utility that submits Affirmed Transactions to DTC.

Participant of DTC, or a bank that is a Participant of DTC, that has subscribed to ID Net and (ii) the transaction must be (a) in a security eligible for processing through CNS and (b) affirmed within established timeframes set forth in the DTC Settlement Service Guide.<sup>8</sup>

If an Affirmed Transaction is designated for ID Net and meets the eligibility criteria described above, then DTC will direct the transaction to ID Net, which facilitates the netting of a broker/dealer's side of an Affirmed Transaction with that broker/dealer's CNS activity, via omnibus accounts, that are maintained by NSCC at DTC and designated for ID Net activity. If a bank is a counterparty to the ID Net-eligible Affirmed Transaction, then it will either receive or deliver the subject shares versus payment, on a trade-for-trade basis, via the ID Net omnibus accounts.

While ID Net was designed to allow broker/dealers to realize the benefit of netting for Affirmed Transactions by allowing the broker/dealer to net its ID Net-eligible Affirmed Transactions with its transactions in CNS, banks using ID Net settle ID Net transactions on a trade-for-trade basis as they would for other Affirmed Transactions, as described above. In this regard, ID Net's main benefit is to streamline clearance and settlement of ID Net-eligible Affirmed Transactions for broker/dealers.

The ID Net Service is primarily described in NSCC Rule 65 and Procedure XVI of the Rules.

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<sup>8</sup> See DTC Settlement Service Guide, supra note 7 at 40-41.

(ii) Proposed Changes to the Rules

NSCC and DTC continually evaluate the efficiency and effectiveness of the services they each provide. As part of these evaluations, and in furtherance of their ongoing modernization efforts, NSCC and DTC are seeking to streamline and simplify their services and processes, including through the elimination of underutilized services. NSCC and DTC have identified ID Net as an underused service that may be eliminated as part of these modernization efforts. They each propose to retire the ID Net Service due to a number of factors, which include: (i) limited uptake and usage of the service since its adoption; (ii) the operational complexity of maintaining the service, which also connects with and impacts other core clearance and settlement processes;<sup>9</sup> and (iii) the prior elimination of the NSCC Clearing Fund offset for ID Net transactions.<sup>10</sup>

To implement the proposed change, NSCC would remove Rule 65 and Procedure XVI from the Rules and make other conforming changes throughout the Rules to reflect the retirement of the service. The ID Net Service is primarily described in NSCC Rule 65 and Procedure XVI, and these rules would no longer be necessary or relevant upon the retirement of the ID Net Service. As a result, Rule 65 and Procedure XVI would be deleted in their entirety and would be reserved for future use by NSCC.

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<sup>9</sup> This complexity includes (i) special eligibility checks versus the ID Net eligibility criteria described above and (ii) leveraging of the above-mentioned omnibus accounts to simultaneously allow (a) a bank to process ID Net-eligible transactions on a trade-for-trade basis and (b) the broker/dealer side of an ID Net-eligible transaction to settle CNS.

<sup>10</sup> In 2021, NSCC adopted a proposed rule change to remove transactions processed through the ID Net Service from the calculation of Members' Required Deposits to the Clearing Fund. See Securities Exchange Act Release No. 93070 (Sep. 20, 2021), 86 FR 53125 (Sep. 24, 2021) (SR-NSCC-2021-011).

NSCC would also remove associated defined terms “Eligible ID Net Security” and “ID Net Subscriber” from Rule 1 and remove a reference to ID Net transactions from the definition of “Net Unsettled Position” in Rule 1. In addition, NSCC would remove Section 1(f) of Rule 3, concerning certain lists required to be maintained by NSCC, to reflect that NSCC would no longer be required to maintain a list of Eligible ID Net Securities and would make a conforming change to renumber existing Section 1(g) of Rule 3 to Section 1(f). NSCC would also remove Section 2(a)(vii) of Rule 18, which concerns procedures for when NSCC ceases to act for a Member, to reflect that uncompleted ID Net Service transactions would no longer be considered for purposes of determining excluded transactions in a cease to act scenario.

Additionally, NSCC would modify Procedure VII, concerning its CNS Accounting Operation, to remove various references to the ID Net Service and ID Net transactions. Specifically, NSCC would revise the Introduction in Section A to remove a reference to Eligible ID Net Securities being included in CNS Securities for purpose of Procedure VII. NSCC would also modify Section D.1., concerning the process for exemptions from deliveries, to remove a statement regarding the treatment of securities available in an agency account established at a Qualified Securities Depository for the processing of transactions through the ID Net Service. In addition, NSCC would modify Section E.4, concerning the allocation algorithm for CNS deliveries, to remove a statement regarding the treatment of long positions in a receiving ID Net Subscriber’s agency account established at a Qualified Securities Depository. NSCC would also delete Section H.5. of Procedure VII concerning the reporting of ID Net transactions on

NSCC's Miscellaneous Activity Report and make conforming changes to renumber subsequent rules in Section H.

Finally, NSCC would update Section I.(A)(1)(b) of Procedure XV, concerning NSCC's Clearing Fund calculations, to remove a reference to ID Net transactions from the Mark-to-Market component of the Clearing Fund formula.

NSCC believes that the retirement of the ID Net Service would have minimal impact on its Members. Only 13 broker/dealers and 20 banks are subscribed to the ID Net Service, and the service is not used by all of those broker/dealers and banks.<sup>11</sup> Furthermore, Affirmed Transactions can simply settle trade-for-trade, directly between the counterparties, if not eligible for ID Net, like they do today. NSCC also notes that there would be minimal impact to risk management from both an NSCC and Member perspective given that the ID Net Service is a non-guaranteed service of NSCC<sup>12</sup> and there is no longer a Clearing Fund offset for ID Net transactions.<sup>13</sup>

NSCC has performed direct outreach to Members that use the ID Net Service and has also announced its plans to decommission the ID Net Service through Important Notice. There have been no material objections or concerns raised by Members.

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<sup>11</sup> Active users of the ID Net service constitute less than 10% of NSCC's full-service Members. NSCC believes that ID Net usage has been limited since its implementation in 2008 because, in part, the service needs both parties to an ID Net transaction to be subscribers of ID Net, as described above, which is not always the case.

<sup>12</sup> See NSCC Rule 65, Section 5(c), supra note 3.

<sup>13</sup> See supra note 10.

### Implementation Timeframe

Subject to approval by the Commission, DTC and NSCC would implement the proposed rule change using a phased approach. First, DTC Participants and NSCC Members have been informed that they may be unsubscribed from ID Net voluntarily at any time prior to termination of the service on November 15, 2024. Second, upon approval of the proposed rule change by the Commission prior to November 15, 2024, any DTC Participants and NSCC Members that have been inactive in the service for at least the last twelve (12) months will be offboarded from the service. Finally, NSCC and DTC will continue to fully support ID Net processing for any remaining active users until November 15, 2024, at which time the service will be fully retired. NSCC and DTC will work with their respective Members and Participants to support all required offboarding activities.

### 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 the Act<sup>14</sup> requires that the rules of a clearing agency be designed to, among other things, promote the prompt and accurate clearance and settlement of securities transactions. NSCC believes the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act for the reasons stated below.

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<sup>14</sup> 15 U.S.C. 78q-1(b)(3)(F).

The proposed rule change would modify the NSCC Rules to decommission the ID Net Service because the service is hardly used yet challenging to maintain. As discussed above, NSCC believes that the retirement of the ID Net Service would have minimal impact on its Members, particularly given the limited usage of the service. Furthermore, Affirmed Transactions that would have otherwise been directed to ID Net can simply settle trade-for-trade, directly between the counterparties, like most other Affirmed Transactions do today. As a result, these transactions would continue to settle promptly and accurately, as other Affirmed Transactions do, outside of the ID Net Service. For these reasons, NSCC believes its Rules would continue to promote the prompt and accurate clearance and settlement of securities transactions in accordance with Section 17A(b)(3)(F) of the Act.<sup>15</sup>

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

Section 17A(b)(3)(I) of the Act<sup>16</sup> requires that the rules of the clearing agency do not impose any burden on competition not necessary or appropriate in furtherance of the Act. NSCC does not believe the proposed rule change would present a burden on competition. While there may be some operational impact to the small segment of Members using the ID Net Service, NSCC believes the operational impact to these Members and their clients would be minimal. While broker/dealer Members using the service may see some reduced netting benefit from eligible Affirmed Transactions being processed through CNS, NSCC does not believe the elimination of this service would rise to the level of a burden on Members given the limited usage of the service. Meanwhile,

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<sup>15</sup> Id.

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

banks using ID Net would continue to process affected Affirmed Transactions trade-for-trade, albeit directly with their counterparties rather than the ID Net omnibus accounts, described above. Furthermore, NSCC notes that there would be no risk management impact for the proposed rule change given that the ID Net Service is a non-guaranteed service of NSCC and there is no Clearing Fund offset for ID Net transactions.<sup>17</sup> NSCC therefore believes the proposed rule change would not present 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 [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

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<sup>17</sup> See supra notes 10 and 12.

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

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

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

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 ([www.sec.gov/rules/sro.shtml](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-2024-008 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-2024-008. 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 ([www.sec.gov/rules/sro.shtml](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 ([www.dtcc.com/legal/sec-rule-filings](http://www.dtcc.com/legal/sec-rule-filings)). 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-2024-008 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>18</sup>

Secretary

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<sup>18</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

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

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

**NATIONAL SECURITIES CLEARING CORPORATION  
RULES & PROCEDURES**

## NATIONAL SECURITIES CLEARING CORPORATION RULES

### RULE 1. DEFINITIONS AND DESCRIPTIONS

[Changes to this Rule, as amended by File No. SR-NSCC-2024-008, are available at [www.dtcc.com/legal/sec-rule-filings](http://www.dtcc.com/legal/sec-rule-filings). These changes become have been approved by the SEC but have not yet been implemented. On November 15, 2024, these changes will be implemented, and this legend will automatically be removed from this Rule.]

\* \* \*

#### *~~Eligible ID Net Security~~*

~~The term “Eligible ID Net Security” has the meaning specified in Rule 65.~~

\* \* \*

#### *~~ID Net Subscriber~~*

~~The term “ID Net Subscriber” has the meaning specified in Rule 65.~~

\* \* \*

#### *Net Unsettled Position*

For purposes of calculating each Member’s required contribution to the Clearing Fund pursuant to Procedure XV, the term “Net Unsettled Position” as used in Procedure XV means a Member’s net of unsettled Regular Way, When-Issued and When-Distributed positions in CNS Securities that have not yet passed Settlement Date and net positions in CNS Securities that did not settle on Settlement Date. **Transactions submitted through the ID Net Service are excluded from Net Unsettled Positions.**

\* \* \*

### RULE 3. LISTS TO BE MAINTAINED

[Changes to this Rule, as amended by File No. SR-NSCC-2024-008, are available at [www.dtcc.com/legal/sec-rule-filings](http://www.dtcc.com/legal/sec-rule-filings). These changes become have been approved by the SEC but have not yet been implemented. On November 15, 2024, these changes will be implemented, and this legend will automatically be removed from this Rule.]

SEC. 1.

\* \* \*

~~(f) The Corporation shall maintain a list of Eligible ID Net Securities as defined in Rule 65 and may from time to time add CNS Securities to such list or remove CNS Securities therefrom.~~

(gf) The Corporation shall maintain a list of the securities that may be the subject of a novated Securities Financing Transaction and may from time to time add securities to such list or remove securities therefrom.

\* \* \*

RULE 18. PROCEDURES FOR WHEN THE CORPORATION CEASES TO ACT

[Changes to this Rule, as amended by File No. SR-NSCC-2024-008, are available at [www.dtcc.com/legal/sec-rule-filings](http://www.dtcc.com/legal/sec-rule-filings). These changes become have been approved by the SEC but have not yet been implemented. On November 15, 2024, these changes will be implemented, and this legend will automatically be removed from this Rule.]

\* \* \*

SEC. 2. (a) Except as otherwise may be determined by the Board of Directors the following transactions of a Member for which the Corporation has ceased to act shall be excluded from all operations of the Corporation applicable to such transactions:

\* \* \*

(v) any cash adjustment relating to OW Obligations of the Member forwarded to settlement in accordance with the Obligation Warehouse procedure; and

(vi) any uncompleted ACATS transaction in accordance with Rule 50; ~~and~~

~~(vii) any uncompleted transaction processed through the ID Net Service in accordance with Rule 65.~~

\* \* \*

RULE 65. ~~ID NET SERVICE~~ (RULE NUMBER RESERVED FOR FUTURE USE)

[Changes to this Rule, as amended by File No. SR-NSCC-2024-008, are available at [www.dtcc.com/legal/sec-rule-filings](http://www.dtcc.com/legal/sec-rule-filings). These changes become have been approved by the SEC but have not yet been implemented. On November 15, 2024, these changes will be implemented, and this legend will automatically be removed from this Rule.]

## **~~SEC. 1. General~~**

~~(a) — The Corporation may offer a service to provide a means by which a broker/dealer Member can clear certain of its customer-side activity in Eligible ID Net Securities (as defined in this Rule 65) that is transmitted to or from the Corporation's agency accounts established on behalf of the broker/dealer Member at a Qualified Securities Depository. Such activity is processed through the CNS accounting system of the Corporation when the customer is a contra-side participant of a Qualified Securities Depository, and such participant has agreed with the applicable Qualified Securities Depository to the delivery of applicable securities directly to the agency accounts established on behalf of broker/dealer Members participating in this service. Such a broker/dealer Member meeting the qualifications of this Rule (an "ID Net Subscriber") may participate in this service which shall be known as the "ID Net Service," and shall be accomplished in accordance with this Rule.~~

~~The rights, liabilities and obligations of ID Net Subscribers in their capacity as such shall be governed by this Rule 65 in addition to the Rules of the Corporation as they apply to them in their capacity as Members; except that in the event of a conflict between such Rules, Rules applying to ID Net Subscribers in their capacity as Members generally shall govern.~~

## **~~SEC. 2. Qualifications of ID Net Subscribers~~**

~~An ID Net Subscriber must meet the qualifications set forth in this Rule. An ID Net Subscriber must be: (i) an existing Member of the Corporation, and (ii) eligible for CNS processing.~~

## **~~SEC. 3. Documentation and Requests for Status as an ID Net Subscriber~~**

~~(a) — Each Member that wishes to become an ID Net Subscriber shall complete and deliver to the Corporation documentation, in such form as prescribed by the Corporation from time to time and shall provide such other reports and information as the Corporation may determine or appropriate. The applicant shall sign and deliver to the Corporation an agreement or acknowledgement, the form of which shall be determined by the Corporation from time to time, whereby the applicant shall agree to the terms and conditions of this Rule 65 and such other terms not inconsistent with this Rule 65 that are deemed by the Corporation to be necessary to protect itself or its participants. An applicant shall provide such reports and information as the Corporation may determine is appropriate.~~

~~(b) The Corporation shall approve a request of a Member to become an ID Net Subscriber pursuant to this Rule 65 upon a determination by the Corporation~~

~~that the Member has satisfied the qualifications and requirements for ID Net Subscribers as set forth in this Rule 65.~~

#### ~~SEC. 4. Eligible ID Net Securities~~

~~Subject to limitations set forth by the Corporation from time to time, any CNS Security shall be an "Eligible ID Net Security".~~

#### ~~SEC. 5. Obligations and Rights applicable to an ID Net Subscriber~~

~~(a) An ID Net Subscriber covenants to the Corporation as follows:~~

- ~~(i) to abide by the Rules of the Corporation applicable to an ID Net Subscriber and the use of the ID Net service, and to be bound by all the provisions thereof, and that the Corporation shall have all the rights and remedies contemplated by the applicable Rules of the Corporation;~~
- ~~(ii) that the applicable Rules of the Corporation shall be a part of the terms and conditions of every transaction which the ID Net Subscriber submits to the Corporation;~~
- ~~(iii) (iii) to pay to the Corporation such fees, charges and other amounts as may be established by the Corporation in connection with the ID Net Subscriber's use of ID Net Service or its status as an ID Net Subscriber, and to pay such fines or penalties as may be imposed in accordance with this Rule 65; and~~
- ~~(iv) (iv) to be bound by any amendment to the applicable Rules of the Corporation subsequent to the time such amendment takes effect as fully as though such amendment were now a part of the Rules of the Corporation, provided, however, that no such amendment shall affect its right to cease to be an ID Net Subscriber unless before such amendment becomes effective, it is given an opportunity to give written notice to the Corporation of its election to cease to be an ID Net Subscriber.~~

~~(b) The Corporation may determine to remove a Member's status as an ID Net Subscriber, or to suspend, limit or restrict its access to the ID Net Service, under the following circumstances:~~

- ~~(i) if the ID Net Subscriber is in such financial or operating difficulty that the Corporation has determined, in its discretion, that such action is necessary for the protection of the Corporation and its participants;~~

- ~~(ii) the ID Net Subscriber has failed to comply with any requirement of the Corporation, or if it no longer meets the qualifications for status as an ID Net Subscriber set forth in this Rule;~~
- ~~(iii) if the ID Net Subscriber is “insolvent” as defined in Rule 20 of these Rules; or~~
- ~~(iv) under any circumstances in which, in the reasonable discretion of the Corporation, adequate cause exists to do so.~~

~~Such action may be taken summarily if the Corporation determines in its reasonable discretion that such summary action is in the interests of the Corporation or its participants.~~

~~(c) The ID Net Service shall not be a guaranteed service of the Corporation. If the Corporation ceases to act for a Member that is an ID Net Subscriber pursuant to Rule 18 it may post appropriate offsetting positions in order to exit any uncompleted transactions from the ID Net Service.~~

#### ~~SEC. 6. ID Net Processing~~

~~Transactions submitted through the ID Net Service shall be processed as set forth in Procedure XVI.~~

#### ~~SEC. 7. Limitations on Liability~~

~~(a) Notwithstanding any other provision in the Rules of the Corporation: The Corporation will not be liable for any action taken, or any delay or failure to take any action, hereunder or otherwise to fulfill the Corporation’s obligations to its ID Net Subscribers, other than for losses caused directly by the Corporation’s gross negligence, willful misconduct, or violation of federal securities laws for which there is a private right of action. Under no circumstances will the Corporation be liable for the acts, delays, omissions, bankruptcy, or insolvency, of any third party, including, without limitation, any depository, custodian, sub-custodian, Settling Bank, Registered Clearing Agency, Affirming Agency, data communication service or delivery service (“Third Party”), unless the Corporation was grossly negligent, engaged in willful misconduct, or in violation of federal securities laws for which there is a private right of action in selecting such Third Party.~~

~~(b) Under no circumstances will the Corporation be liable for any indirect, consequential, incidental, special, punitive or exemplary loss or damage (including, but not limited to, loss of business, loss of profits, trading losses, loss of opportunity and loss of use) howsoever suffered or incurred, regardless of~~

~~whether the Corporation has been advised of the possibility of such damages or whether such damages otherwise could have been foreseen or prevented.~~

\* \* \*

## PROCEDURE VII. CNS ACCOUNTING OPERATION

[Changes to this Procedure, as amended by File No. SR-NSCC-2024-008, are available at [www.dtcc.com/legal/sec-rule-filings](http://www.dtcc.com/legal/sec-rule-filings). These changes become have been approved by the SEC but have not yet been implemented. On November 15, 2024, these changes will be implemented, and this legend will automatically be removed from this Procedure.]

### A. Introduction

The CNS Accounting Operation processes transactions in CNS Securities. ~~Subject to the provisions of Procedure XVI, and for the purposes of this Procedure VII, references to CNS Securities shall include Eligible ID Net Securities.~~

\* \* \*

### D. Controlling Deliveries to CNS

\* \* \*

#### 1. 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.~~

\* \* \*

### E. Influencing Receipts from CNS

\* \* \*

#### 4. Allocation Algorithm

The algorithm which governs the allocation of long positions is based on priority groups in descending order and, for the day cycle only, age of position within a priority group and random numbers within age groups.

Priority groups include the following:

\* \* \*

- (d) ~~(i) long positions in a receiving ID Net Subscriber's agency account established at a Qualified Securities Depository, and~~  
(ii) long positions against the component securities of index receipts;

\* \* \*

#### H. Miscellaneous CNS Activity

\* \* \*

#### ~~5. ID Net Service~~

~~Pursuant to Rule 65 and Procedure XVI, ID Net Subscribers may enter into transactions eligible for the ID Net Service, and all such transactions are recorded on the Miscellaneous Activity Report. All removals of such transactions from the ID Net Service occurring in either day or night cycle are also recorded on the Miscellaneous Activity Report.~~

#### ~~65. Obligation Warehouse~~

\* \* \*

#### ~~76. Asset Servicing and Other Events; Revealing Counterparties~~

\* \* \*

### PROCEDURE XV. CLEARING FUND FORMULA AND OTHER MATTERS

[Changes to this Procedure, as amended by File No. SR-NSCC-2024-008, are available at [www.dtcc.com/legal/sec-rule-filings](http://www.dtcc.com/legal/sec-rule-filings). These changes become have been approved by the SEC but have not yet been implemented. On November 15, 2024, these changes will be implemented, and this legend will automatically be removed from this Procedure.]

#### I.(A) Clearing Fund Formula for Members

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

(1) For CNS Transactions

\* \* \*

(b) The net debit of each day's difference between (x) the contract price of such Member's Regular Way, When-Issued and When-Distributed net positions ~~(excluding transactions submitted through the ID Net service that have not yet passed Settlement Date~~ and its fail positions, and (y) the Current Market Price for such positions (such difference to be known as the "Mark-to-Market"); provided that the Corporation may, but shall not be required to, exclude from this calculation any shares delivered by the Member in the night cycle to satisfy all or any portion of a short position;

\* \* \*

PROCEDURE XVI. ~~ID NET SERVICE~~ (RESERVED FOR FUTURE USE)

[Changes to this Procedure, as amended by File No. SR-NSCC-2024-008, are available at [www.dtcc.com/legal/sec-rule-filings](http://www.dtcc.com/legal/sec-rule-filings). These changes become have been approved by the SEC but have not yet been implemented. On November 15, 2024, these changes will be implemented, and this legend will automatically be removed from this Procedure.]

~~The ID Net Service utilizes the settlement and delivery services operated by a Qualified Securities Depository for input and affirmation purposes related to transactions qualifying for the ID Net Service as set forth in Rule 65. Certain transactions which are between an ID Net Subscriber and a participant of the Qualified Securities Depository are affirmed through: (i) a Registered Clearing Agency, (ii) other entities which have obtained an exemption from such registration from the SEC, or (iii) Qualified Vendors as defined in the rules of the New York Stock Exchange, the National Association of Securities Dealers, or other self-regulatory organizations, as applicable, (an "Affirming Agency") in accordance with the applicable procedures of the Affirming Agency and then confirmed by such Affirming Agency as eligible for processing in the ID Net Service. If the transaction is affirmed and eligible for processing in the ID Net Service, such Affirming Agency then forwards the appropriate delivery instructions to the Qualified Securities Depository, which facilitates the movement of the transaction to an account at the Qualified Securities Depository maintained by the Corporation as agent on behalf of the ID Net Subscriber (the "ID Netting Subscriber Deliver Account"). The transaction is then entered into the CNS Accounting Operation on the evening prior to Settlement Date by the~~

~~Corporation on behalf of the ID Net Subscriber. On the night prior to Settlement Date, the ID Net Subscriber's CNS position, if any, will be updated for the quantity and value of the transaction versus creating an open obligation in the ID Netting Subscriber Deliver Account. For transactions in which the ID Net Subscriber is delivering securities to a participant at the Qualified Securities Depository, the ID Net Subscriber's position in the CNS Accounting Operation, if any, will be updated for the quantity and value of the transaction versus creating an open obligation in an agency account established for this purpose at the Qualified Securities Depository by the Corporation on behalf of the ID Net Subscriber (the "ID Netting Subscriber Receive Account"). Once the securities are credited to this account, the securities will be delivered to the appropriate participant account at the Qualified Securities Depository.~~

~~The ID Net Subscriber's counterparty settles transactions in the ID Net Service through the depository against the ID Netting Subscriber Deliver Account or the ID Netting Subscriber Receive Account, respectively, depending on whether it is delivering or receiving shares from the ID Net Subscriber.~~

~~If for any reason the full amount of the Eligible ID Net Securities for any ID Net transaction entered into the CNS Accounting Operation with respect to a particular transaction are not delivered to the Corporation prior to the cut-off time established by the Corporation from time to time or if before such cut-off time the securities delivered to the Corporation with respect to a particular transaction pursuant to this Procedure XVI no longer qualify as Eligible ID Net Securities the Corporation will make the following entries in order to remove the transaction from the ID Net Service and the CNS Accounting Operation, leaving the ID Net Subscriber and its counterparty to complete (or terminate) the original trade: (i) the Corporation will create an offsetting position in the ID Netting Receive Account versus the ID Net Subscriber position for the failed delivery in order to "return" the securities to the CNS Accounting Operation for normal allocation processing (pursuant to Section E.4. of Procedure VII), and (ii) the Corporation will post a long position to the ID Net Subscriber in the CNS Accounting Operation.~~

~~With respect to a particular transaction in the ID Net Service, in the event (i) a participant of the Qualified Securities Depository fails to deliver to the ID Netting Subscriber Deliver Account, and this failure to deliver is allocated pursuant to Section E.4. of Procedure VII to a Member other than the appropriate ID Net Subscriber, or (ii) securities are returned to the Corporation after a cut-off time established by the Corporation from time to time due to a failure of delivery from a ID Netting Subscriber Receive Account to a participant of the Qualified Securities Depository, then the Corporation shall post appropriate offsetting positions in order to exit the transaction from the ID Net Service.~~

\* \* \*