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Page 1 of * 48		SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No. * SR 2025 - * 005 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"/>		
Description Provide a brief description of the action (limit 250 characters, required when Initial is checked *). <div>Collection of Intraday Margin</div>					
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 * <div></div> Last Name * <div></div> Title * <div></div> E-mail * <div>RuleFilingAdmin@dtcc.com</div> Telephone * <div></div> Fax <div></div>					
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 <div>04/15/2025</div> (Title *) By <div></div> <div></div> (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. <div>Date: 2025.04.15 10:37:05 -04'00'</div>					

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SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549		
For complete Form 19b-4 instructions please refer to the EDFS website.		
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<div><div>Exhibit 1 - Notice of Proposed Rule Change *</div><div><div>Add</div><div>Remove</div><div>View</div></div><div>Exh 1A (NSCC) - Intraday Margin - 20</div></div> <div>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)</div>		
<div><div>Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *</div><div><div>Add</div><div>Remove</div><div>View</div></div></div> <div>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)</div>		
<div><div>Exhibit 2- Notices, Written Comments, Transcripts, Other Communications</div><div><div>Add</div><div>Remove</div><div>View</div></div></div> <div><div><div></div>Exhibit Sent As Paper Document</div><div>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.</div></div>		
<div><div>Exhibit 3 - Form, Report, or Questionnaire</div><div><div>Add</div><div>Remove</div><div>View</div></div></div> <div><div><div></div>Exhibit Sent As Paper Document</div><div>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.</div></div>		
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1. Text of the Proposed Rule Change

(a) Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”),¹ and Rule 19b-4 thereunder,² National Securities Clearing Corporation (“NSCC”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to modify the NSCC Rules & Procedures (“NSCC Rules”) to address recently adopted amendments to the Commission’s Standards for Covered Clearing Agencies (“CCAS Rules”) concerning the collection of intraday margin. The proposed modifications to the NSCC Rules are contained in Exhibit 5 of the filing.³

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Risk Committee of the Board of Directors of NSCC on April 15, 2025.

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

(a) Purpose

Executive Summary of Proposed Changes

On October 25, 2024, the Commission adopted amendments to the CCAS Rules to add new requirements related to the collection of intraday margin by a covered clearing agency (“CCA”).⁴ Specifically, the Commission amended Rule 17ad-22(e)(6)(ii)⁵ to establish new requirements with respect to a CCA’s policies and procedures regarding the collection of intraday margin to: (i) include a new requirement to monitor intraday exposures on an ongoing basis; (ii) modify the preexisting reference to making intraday calls “in defined circumstances” to making intraday calls “as frequently as circumstances warrant” and identifying examples of such circumstances; and (iii) require that a CCA document when it determines not to make an

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Capitalized terms not defined herein shall have the meaning assigned to such terms in the NSCC Rules, available at www.dtcc.com/legal/rules-and-procedures.

⁴ Securities Exchange Act Release No. 101446 (Oct. 25, 2024), 89 FR 91000 (Nov. 18, 2024) (File No. S7-10-23) (“Adopting Release,” and the intraday margin rules adopted therein referred to herein as “CCAS Margin Rules”).

⁵ 17 CFR 240.17ad-22(e)(6)(ii).

intraday margin call pursuant to its written policies and procedures.⁶ As described below, the proposed changes to the NSCC Rules are primarily designed to facilitate compliance with these requirements.

Background

NSCC is a clearing agency that provides clearing, settlement, risk management, and central counterparty services for trades involving equity securities, corporate and municipal debt, exchange traded funds and unit investment trusts. NSCC manages its credit exposure to its Members by determining the appropriate Required Fund Deposit to the Clearing Fund for each Member and by monitoring the sufficiency of such deposits, as provided for in the NSCC Rules.⁷

The objective of a Member's Required Fund Deposit is to mitigate potential losses to NSCC associated with liquidating a Member's portfolio in the event NSCC ceases to act for that Member (hereinafter referred to as a "default").⁸ Required Fund Deposits operate, individually, as the Member's margin, and the aggregate of all such Members' deposits is referred to, collectively, as the Clearing Fund, which operates as NSCC's default fund. NSCC would access the Clearing Fund should a defaulting Member's own Required Fund Deposit be insufficient to satisfy losses to NSCC caused by the liquidation of that Member's portfolio.

Each Member's Required Fund Deposit amount consists of a number of applicable components, each of which is calculated to address specific risks faced by NSCC, as identified within the Rules. The major components of NSCC's Clearing Fund charges include, but are not limited to: (i) volatility charges for securities based on asset type and liquidity profile; (ii) mark-to-market charges; (iii) fail charges; (iv) a charge for Family-Issued Securities to mitigate wrong way risk; (v) a charge to mitigate day over day margin differentials; (vi) a coverage component; (vii) a margin liquidity adjustment component; (viii) a backtesting charge; and (iv) an excess capital premium charge.⁹

Overview of Intraday Monitoring and Margin Collection

NSCC Procedure XV describes NSCC's Clearing Fund formula and methodology. NSCC calculates and collects Clearing Fund from its Members (i.e., a Required Fund Deposit) on a daily basis using a risk-based margin methodology.¹⁰ A Member's Required Fund Deposit

⁶ See Adopting Release, supra note 4 at 91000.

⁷ See NSCC Rule 4, supra note 3.

⁸ The NSCC Rules identify when NSCC may cease to act for a Member and the types of actions NSCC may take. See NSCC Rule 46 (Restrictions on Access to Services), supra note 3.

⁹ See NSCC Procedure XV, supra note 3.

¹⁰ Section 12 of NSCC Rule 56 describes the Clearing Fund obligations associated with NSCC's Securities Financing Transaction Clearing service. Section 12(c) of NSCC Rule 56 specifically provides that NSCC calculates the amount of each SFT Member's

may vary daily and is generally based upon the Member's trading activity and current unsettled positions. Required Fund Deposit deficits are due to NSCC each business day, typically by 10:00 a.m. Eastern Time. In addition, NSCC may call for additional margin on an intraday basis, as needed.

Pursuant to Sections I.(B)(5) and (6) of NSCC Procedure XV,¹¹ NSCC has discretionary authority to collect margin on an intraday basis based on changes to a Member's intraday mark-to-market exposure ("Intraday Mark-to-Market Charge" or "Intraday MTM Charge") and intraday volatility exposure ("Intraday Volatility Charge") (collectively, "Intraday Margin Charges"). These procedures describe the calculations for the Intraday MTM Charge and Intraday Volatility Charge and the thresholds used to trigger the potential collection of such charges.

The Intraday MTM Charge is based on the difference between the last marked-to-market price of a Member's net CNS and Balance Order positions (including CNS fails) and the most recently observed market price for such positions.¹² An Intraday MTM Charge may generally be imposed if the difference of this calculation meets or exceeds 80 percent of the "volatility charge" component of the Member's start of day Clearing Fund requirement.¹³ NSCC may reduce this threshold during volatile market conditions if it determines that a reduction of the threshold is appropriate to mitigate risks to NSCC.

The Intraday Volatility Charge is based on the difference between a Member's start of day volatility charge and intraday volatility charges calculated with respect to its net unsettled CNS and Balance Order positions.¹⁴ An Intraday Volatility Charge may generally be imposed if the difference of this calculation meets or exceeds 100 percent and the amount that would be

required deposit for its SFT Positions by applying the Clearing Fund formula for CNS Transactions in Sections I.(A)(1) (a), (b), (c), (e), (f), (g) of NSCC Procedure XV, as well as the additional Clearing Fund formula in Section I.(B)(5) (Intraday Mark-to-Market Charge) and (6) (Intraday Volatility Charge) of NSCC Procedure XV, except as noted otherwise, in the same manner as such sections apply to CNS Transactions submitted for regular way settlement. See Section 12 of NSCC Rule 56, supra note 3.

¹¹ See Sections I.(B)(5) and (6) of NSCC Procedure XV, supra note 3.

¹² See Section I.(B)(5) of NSCC Procedure XV, supra note 3.

¹³ The "volatility charge" component of each Member's Required Fund Deposit is designed to measure market price volatility of the start-of-day portfolio and is calculated for Members' net unsettled positions. See NSCC Procedure XV, Section I.(A)(1)(a) for CNS Transactions and Section I.(A)(2)(a) for Balance Order Transactions, supra note 3.

¹⁴ See Section I.(B)(6) of NSCC Procedure XV, supra note 3. The amount of the charge is reduced by the portion of the margin requirement differential charge that represents the volatility component collected at the start of the day and excludes the amount calculated for long positions in Family Issued Securities and shares delivered to or received by the Member to satisfy all or any portion of a short or long position.

collected is greater than \$250,000. NSCC may reduce the 100 percent threshold, for example during volatile market conditions or market events that cause increases in trading volumes, if NSCC determines that a reduction of the threshold is appropriate to mitigate risks to NSCC.

Intraday market moves and positions are monitored by NSCC on an ongoing basis. NSCC conducts intraday monitoring of its exposures for purposes of Intraday Margin Charges at 15-minute intervals generally between the hours of 10:00 a.m. to 4:30 p.m. Eastern Time, unless such intervals are extended by NSCC to address operational or other delays. NSCC reviews these intraday snapshots of each Member's portfolio to determine whether the Member has experienced an adverse risk exposure that warrants NSCC assessing Intraday MTM Charge and/or Intraday Volatility Charge.

Through this filing, NSCC is providing additional clarity and transparency in the Rules concerning NSCC's processes for the ongoing monitoring, recalculation and collection of Intraday Margin Charges, including circumstances in which NSCC may determine not to collect such a charge, to facilitate compliance with the newly adopted CCAS Margin Rules.¹⁵ The proposed changes are described in detail below.

Proposed Changes to the NSCC Rules

NSCC proposes to amend Sections I.(B)(5) and I.(B)(6) of NSCC Procedure XV to provide additional clarity and transparency in the NSCC Rules concerning NSCC's processes for the ongoing monitoring, recalculation and collection of Intraday MTM Charges and Intraday Volatility Charges, including circumstances in which NSCC may determine not to collect such a charge, to facilitate compliance with the newly adopted CCAS Margin Rules.¹⁶ In addition, NSCC proposes to adopt new authority to reduce its intraday margin thresholds for a given Member to require a Member to make additional Intraday MTM or Intraday Volatility Charge payments if NSCC determines it to be necessary to protect itself and its Members in response to factors such as market conditions or financial or operational capabilities affecting such Member. NSCC also proposes clarifying changes in Section I.(A) of Procedure XV to note that it may use the baseline calculation for the Margin Liquidity Adjustment ("MLA") charge for certain equity exchange-traded fund ("ETF") positions to address circumstances where certain data inputs needed for the creation/redemption calculation for MLA are not available. Finally, NSCC would make additional clarifying changes to add an introductory paragraph in Procedure XV concerning the frequency of its Clearing Fund calculations and the potential for extension of such actions. The proposed changes are described in detail below.

¹⁵ See 17 CFR 240.17ad-22(e)(6)(ii) and supra note 4.

¹⁶ See id.

Intraday Margin Charges Generally

Proposed Changes Concerning Ongoing Monitoring, Calculation and Collection of Intraday Margin Charges

NSCC proposes to modify Section I.(B)(5) of NSCC Procedure XV to provide additional clarity and transparency regarding NSCC's process for the ongoing monitoring and recalculation of its intraday mark-to-market and volatility exposures and the collection of Intraday Margin Charges. First, NSCC proposes to consolidate its procedures for Intraday Mark-to-Market Charges and Intraday Volatility Charges into Section I.(B)(5) of Procedure XV and rename Section I.(B)(5) of Procedure XV to reference Intraday Margin Charges generally, rather than Intraday Mark-to-Market Charges specifically. NSCC would also add a new introductory paragraph to the procedure to describe NSCC's intraday monitoring process and general authority to make intraday margin calls. The proposed rule would provide that NSCC shall establish procedures for the ongoing monitoring and recalculation of its intraday mark-to-market and volatility exposures, during such times and at such frequency as set forth by NSCC, and that NSCC will communicate to Members the timing and frequency with which NSCC monitors and re-calculates its intraday mark-to-market and volatility exposures by posting such information on NSCC's public website.¹⁷ The proposed rule change would also state that NSCC may collect payments from Members on an intraday basis based on intraday changes in its risk exposures, defined generally as an "Intraday Margin Charge," including when certain risk thresholds are breached or when the products cleared or markets served display elevated volatility. The proposed rule would further clarify that Intraday Margin Charges include charges based on re-calculated mark-to-market exposures ("Intraday Mark-to-Market Charge") and volatility exposures ("Intraday Volatility Charge") for each Member, as further defined in the Procedure. NSCC would also make a conforming change to Section 12(c) of NSCC Rule 56 regarding Clearing Fund obligations for SFT Positions to reflect the consolidation of its procedures for Intraday Mark-to-Market Charges and Intraday Volatility Charges into Section I.(B)(5) of Procedure XV.¹⁸

The proposed change is intended to provide additional clarity and transparency in the NSCC Rules concerning how NSCC facilitates compliance with requirements in the CCAS Margin Rules that each CCA have policies and procedures reasonably designed to (i) monitor intraday exposures on an ongoing basis and (ii) make intraday margin calls, as frequently as circumstances warrant, including when risk thresholds specified by NSCC are breached or when products cleared or markets served display elevated volatility.¹⁹

¹⁷ As noted above, NSCC currently monitors and recalculates its intraday mark-to-market and volatility exposures in 15-minute intervals throughout the day.

¹⁸ See supra note 10.

¹⁹ See 17 CFR 240.17ad-22(e)(6)(ii)(B) and (C) and supra note 4.

Proposed Changes Concerning Determinations Not to Collect Intraday Margin Charges

NSCC also proposes to amend Section I.(B)(5) of Procedure XV to provide additional clarity and transparency around NSCC's process for determining whether to collect Intraday Margin Charges. As described above, NSCC monitors its intraday mark-to-market and volatility exposures in 15-minute intervals throughout the day and has discretionary authority to collect Intraday MTM Charges and/or Intraday Volatility Charges based on changes to a Member's intraday mark-to-market and volatility exposures. NSCC considers a number of factors when determining whether to collect an Intraday Margin Charge based on exposures that breach certain defined thresholds (discussed below) at any given 15-minute interval. Accordingly, NSCC proposes to amend Section I.(B)(5) of Procedure XV to describe this intraday margin assessment process in the NSCC Rules.

NSCC proposes to add new rule text to the procedure to provide that NSCC may determine not to collect an Intraday Margin Charge in circumstances where NSCC determines that the intraday exposure of the Member and/or breaches of certain thresholds do not accurately reflect NSCC's risk exposure to the Member. The proposed rules would also provide examples of circumstances that NSCC may consider with respect to such a determination, which may include, but are not limited to: (i) market conditions and/or portfolio composition result in the defined thresholds not being breached on a consistent or persistent basis; (ii) trades will be offset by trades submitted later in the day; (iii) the defined threshold was met due to the submission of erroneous trades that are being corrected; or (iv) the defined threshold was met due to erroneous data inputs.

Additionally, NSCC would adopt new rules stating that any reduction or determination not to collect an Intraday Margin Charge, or any waiver of an Intraday Volatility Charge (as discussed below), shall be approved, documented and reviewed on a regular basis pursuant to NSCC's procedures. Pursuant to NSCC's market risk management procedures, NSCC's Market Risk Management team monitors Members' open positions and exposures on a 15-minute basis throughout the day and identifies accounts that exceed certain pre-established thresholds. These thresholds trigger research, review and escalation actions, including recommendations for making an Intraday Margin Call. If a recommendation to collect an Intraday Margin Call is made, this is escalated to more senior members of Market Risk Management in accordance with specified escalation procedures. If an Intraday Margin Call is not recommended or reduced (or with respect to an Intraday Volatility Charge, waived), a member of the Market Risk Management team documents this determination in accordance with NSCC's market risk management procedures.

The proposed change is intended to provide additional clarity and transparency in the NSCC Rules concerning NSCC's Intraday Margin Call determination process and how NSCC facilitates compliance with requirements in the CCAS Margin Rules that each CCA have policies and procedures reasonably designed to document when NSCC determines not to make an intraday call pursuant to its written policies and procedures.²⁰

²⁰

See 17 CFR 240.17ad-22(e)(6)(ii)(D) and supra note 4.

Intraday Mark-to-Market Charges

NSCC proposes clarifying changes to existing procedures in Section I.(B)(5) of NSCC Procedure XV concerning the calculation of Intraday MTM Charges. First, NSCC would create new sub-paragraph (a) of Section I.(B)(5) of Procedure XV to specifically address Intraday MTM Charges. NSCC would make non-substantive cleanup changes to the procedure to describe the existing charge and clarify that the charge reflects the difference between the most recent NSCC “marked”-to-market price and most recently observed market price of a Member’s positions. NSCC would also add a new defined term, “Intraday Mark-to-Market Threshold,” to represent the existing 80 percent threshold for Intraday Mark-to-Market Charges.

In addition, NSCC would remove a clause stating that NSCC may reduce the Intraday Mark-to-Market Threshold during volatile market conditions “by accelerating the collection of anticipated additional margin from Members whose portfolios may present relatively greater risks to [NSCC] on an overnight basis.” NSCC believes that the revised rule text would more accurately reflect the circumstances in which NSCC may reduce the threshold because the collection of an Intraday MTM Charge would not be limited to addressing risk that may arise on an overnight basis but may also be needed to address mark-to-market risk exposures on an intraday basis. NSCC would also amend the rules to provide examples of market conditions that NSCC may consider with respect to reducing the Intraday Mark-to-Market Threshold, which include, but are not limited to, the occurrence of large price changes in a major benchmark equity index.

NSCC also proposes to add new rule authority to permit NSCC to reduce the Intraday Mark-to-Market Threshold for a given Member if NSCC determines it to be necessary to protect itself and its Members in response to factors such as market conditions or financial or operational capabilities affecting such Member. The proposed rule change would effectively allow NSCC to lower the Intraday MTM Threshold for individual Members or certain groups of Members to address market conditions or financial or operational capabilities specifically impacting those Members without requiring NSCC to lower the threshold across all Members.

The proposed change is intended to provide additional clarity and transparency in the NSCC Rules concerning how NSCC facilitates compliance with requirements in the CCAS Margin Rules that each CCA have policies and procedures reasonably designed to make intraday margin calls, as frequently as circumstances warrant, including when risk thresholds specified by NSCC are breached or when products cleared or markets served display elevated volatility.²¹

Intraday Volatility Charges

NSCC proposes clarifying and cleanup changes to the existing procedure language concerning the calculation of the Intraday Volatility Charge. First, NSCC would create new sub-paragraph (b) of Section I.(B)(5) of NSCC Procedure XV to specifically address Intraday Volatility Charges. NSCC would make non-substantive cleanup changes to the procedure to

²¹ See 17 CFR 240.17ad-22(e)(6)(ii)(C) and supra note 4.

describe the existing charge. NSCC would also add a new defined term, “Intraday Volatility Threshold,” to represent the 100 percent threshold for Intraday Volatility Charges.

Additionally, NSCC proposes to remove existing rule text stating that NSCC would not collect an Intraday Volatility Charge if (a) trades submitted later in the day would offset trades submitted earlier in the day, such that the thresholds would not have been met if such activity had been submitted earlier in the day, or (b) the threshold was met due to the submission of an erroneous trade that can be corrected. This procedure language would be replaced by the proposed rules discussed above, which would provide an enhanced explanation of NSCC’s process for determining whether to collect an Intraday Margin Charge, which includes the aforementioned scenarios for determining whether to collect an Intraday Volatility Charge.

In addition, NSCC would remove a clause stating that NSCC may reduce the Intraday Volatility Threshold during volatile market conditions or market events that cause increases in trading volumes “by accelerating the collection of anticipated additional margin from those Members whose portfolios may present relatively larger risks to [NSCC] on an overnight basis.” NSCC believes that the revised rule text would more accurately reflect circumstances in which NSCC may reduce the threshold because the collection of an Intraday Volatility Charge would not be limited to addressing risk that may arise on an overnight basis but may also be needed to address volatility risk exposures on an intraday basis. NSCC would also amend the rules to provide examples of market conditions that NSCC may consider with respect reducing the Intraday Volatility Threshold, which include, but are not limited to, ETF index rebalancing periods or the occurrence of large price changes in a major benchmark equity index.

NSCC also proposes to add new rule authority to permit NSCC to reduce the Intraday Volatility Threshold for a given Member if NSCC determines it to be necessary to protect itself and its Members in response to factors such as market conditions or financial or operational capabilities affecting such Member. The proposed rule change would effectively allow NSCC to lower the Intraday Volatility Threshold for individual Members or certain groups of Members to address market conditions or financial or operational capabilities specifically impacting those Members without requiring NSCC to lower the threshold across all Members.

NSCC would also adopt new rules concerning NSCC’s authority to waive, in exigent circumstances, an Intraday Volatility Charge that it may otherwise ordinarily collect. Specifically, the proposed rule change would provide that NSCC may waive the collection of an Intraday Volatility Charge in exigent circumstances if NSCC determines (i) that such a waiver is necessary to protect NSCC, its participants, investors and the public interest or (ii) that NSCC can effectively address the risk exposure presented by the Member without the collection of such charge.

The proposed change is intended to provide additional clarity and transparency in the NSCC Rules concerning how NSCC facilitates compliance with requirements in the CCAS Margin Rules that each CCA have policies and procedures reasonably designed to make intraday

margin calls, as frequently as circumstances warrant, including when risk thresholds specified by NSCC are breached or when products cleared or markets served display elevated volatility.²²

Other Proposed Changes to NSCC Rules

Proposed Clarifications Concerning the Frequency of Clearing Fund Calculations

NSCC proposes to amend the introductory section of NSCC Procedure XV to rename the Procedure and provide additional context regarding the frequency of NSCC's Clearing Fund calculations. Specifically, the proposed rule change would relocate a footnote to the introductory section of Procedure XV stating that NSCC performs all Clearing Fund calculations daily or on a more frequent basis if NSCC deems it appropriate. NSCC also proposes to add additional clarifying language to this section noting that times all may be extended as needed by NSCC to (i) address operational or other delays that would reasonably prevent members or NSCC from meeting the deadline or timeframe, as applicable, or (ii) allow NSCC time to operationally exercise its existing rights under the NSCC Rules and Procedures. In addition, the proposed rules would clarify that all times applicable to NSCC are standards and not deadlines; actual processing times may vary slightly, as necessary.

Proposed Clarifications Concerning MLA Charge Calculation for Certain Equity ETFs

NSCC also proposes to amend Sections I.(A)(1)(g) and I.(A)(2)(f) of NSCC Procedure XV to make certain clarifications regarding the calculation of the MLA charge for CNS and Balance Order transactions, respectively.²³ As noted above, one of the primary components of NSCC's Clearing Fund calculation is the MLA charge, which applies to a Member's Net Unsettled Positions, other than long Net Unsettled Positions in Family-Issued Securities. For ETFs with in-kind baskets, NSCC runs two separate calculations to compare and determine the "impact cost" of liquidating the ETF. NSCC runs (i) a baseline calculation to simulate all the ETF positions being liquidated in the secondary market (the "Baseline Calculation") with the impact cost calculation being at the security level (i.e., the ETF shares) and (ii) an alternative calculation ("Create/Redeem Calculation") to simulate the ETF positions being liquidated in the primary market using the creation/redemption process.²⁴ NSCC then uses the smaller calculated impact costs of either the Baseline Calculation or the Create/Redeem Calculation for purposes of calculating the MLA charge.

NSCC proposes to modify Sections I.(A)(1)(g) and I.(A)(2)(f) of Procedure XV to clarify that, if certain data inputs needed to determine ETF decomposition for the Create/Redeem

²² Id.

²³ NSCC notes that the MLA charge is also applied to SFT Positions. See NSCC Rule 56, Section 12, supra note 3.

²⁴ The impact costs for the Create/Redeem Calculation are calculated by decomposing the ETFs into their underlying securities and calculating the impact costs of such underlying securities utilizing the equity asset subgroup calculations. See NSCC Procedure XV, Sections I.(A)(1)(g) and I.(A)(2)(f), supra note 3.

Calculation are unavailable or unreliable, NSCC may use the Baseline Calculation for purposes of calculating the MLA charge for ETFs. The proposed rule change is intended to address limited scenarios where NSCC may be unable to perform both calculations for comparison. In such a scenario, NSCC believes it may be appropriate to use the Baseline Calculation to determine the impact cost and resulting MLA charge for the ETF(s) in question. NSCC is not proposing any changes to the manner in which it would calculate the Baseline Calculation or the Create/Redeem Calculation or the manner in which NSCC would determine the impact cost when both calculations are available and reliable.

Implementation Timeframe

NSCC expects to implement the proposed rule change by no later than December 15, 2025, and would announce the effective date of the proposed changes by an Important Notice posted to NSCC's website.

(b) Statutory Basis

NSCC believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. Specifically, NSCC believes that the proposed changes are consistent with Section 17A(b)(3)(F) of the Act²⁵ and Rule 17ad-22(e)(6) thereunder²⁶ for the reasons set forth below.

Section 17A(b)(3)(F) of Act²⁷ requires, in part, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible and, in general, to protect investors and the public interest. The proposed rule change would enhance the clarity and transparency of NSCC's Rules regarding the ongoing monitoring, calculation and collection of Intraday Margin Charges. Specifically, the proposed rule change would enhance Procedure XV of the NSCC Rules to more clearly describe how NSCC: (i) monitors its intraday mark-to-market and volatility exposures each day on an ongoing basis; (ii) makes intraday calls for Intraday Margin Charges, as frequently as circumstances warrant, including when certain risk thresholds are breached or when the products cleared or markets served display elevated volatility; and (iii) determines whether to make an Intraday Margin Call and documents when it determines to waive, reduce or not make an Intraday Margin Call pursuant to its written policies and procedures. The proposed rule change would also introduce authority for NSCC to lower its intraday margin call thresholds for individual Members or certain groups of Members to address market conditions or financial or operational capabilities specifically impacting those Members without requiring NSCC to lower the threshold across all Members. NSCC believes that providing this additional transparency and clarity in the NSCC Rules would promote the understanding of NSCC's intraday margin processes by NSCC's Members, market participants and the public. This, in

²⁵ 15 U.S.C. 78q-1(b)(3)(F).

²⁶ 17 CFR 240.17ad-22(e)(6).

²⁷ 15 U.S.C. 78q-1(b)(3)(F).

turn, would help Members understand their potential obligations to NSCC, particularly with respect to Intraday Margin Charges, so that they are better equipped and able to satisfy such obligations when due. NSCC uses the margin and Clearing Fund it collects to mitigate potential losses to NSCC (and through loss allocation, to its Members) associated with liquidating a defaulting Member's portfolio and to continue to effect the prompt and accurate clearance and settlement of securities transactions in the event NSCC ceases to act for a Member. As a result, NSCC believes the proposed rule change is designed to promote the prompt and accurate clearance and settlement of securities transactions, to assure the safeguarding of securities and funds which are in the custody or control of NSCC or for which it is responsible and, in general, to protect investors and the public interest in accordance with the requirements of Section 17A(b)(3)(F) of Act.

The proposed rule change would also provide clarity in the NSCC Rules to allow NSCC to use the Baseline Calculation for determining the impact costs for certain equity ETFs in the MLA charge when certain data inputs required for the Create/Redeem Calculation are not available. NSCC believes that using the existing, conservative Baseline Calculation for determining the impact costs of liquidating certain equity ETFs in such a scenario would appropriately address risks presented to NSCC. As noted above, NSCC uses the margin and Clearing Fund it collects to mitigate potential losses to NSCC and its Members and to continue to effect the prompt and accurate clearance and settlement of securities transactions in the event NSCC ceases to act for a Member. As a result, NSCC believes the proposed changes are designed to promote the prompt and accurate clearance and settlement of securities transactions, to assure the safeguarding of securities and funds which are in the custody or control of NSCC or for which it is responsible and, in general, to protect investors and the public interest in accordance with the requirements of Section 17A(b)(3)(F) of the Act.

Exchange Act Rule 17ad-22(e)(6)(ii)²⁸ requires that a CCA establish, implement, maintain, and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, among other things, (i) monitors intraday exposures on an ongoing basis; (ii) includes the authority and operational capacity to make intraday margin calls, as frequently as circumstances warrant, including the following circumstances: (1) when risk thresholds specified by the CCA are breached; or (2) when the products cleared or markets served display elevated volatility; and (iii) documents when the CCA determines not to make an intraday call pursuant to its written policies and procedures. The proposed rule change would enhance the clarity and transparency of NSCC's Rules regarding the ongoing monitoring, calculation and collection of Intraday Margin Charges. Specifically, the proposed rule change would enhance Procedure XV of the NSCC Rules to more clearly describe how NSCC: (i) monitors its intraday mark-to-market and volatility exposures each day on an ongoing basis; (ii) makes intraday calls for Intraday Margin Charges, as frequently as circumstances warrant, including when certain risk thresholds are breached or when the products cleared or markets served display elevated volatility; and (iii) determines whether to make an Intraday Margin Call and documents when it determines to waive, reduce or not make an Intraday Margin Call pursuant to its written policies and procedures. Accordingly,

²⁸ 17 CFR 240.17ad-22(e)(6)(ii).

NSCC believes the proposed changes to the NSCC Rules are reasonably designed to facilitate compliance with the requirements of Exchange Act Rule 17ad-22(e)(6)(ii).

Exchange Act Rule 17ad-22(e)(6)(i)²⁹ requires that a CCA establish, implement, maintain, and enforce written policies and procedures reasonably designed to establish a risk-based margin system that, among other things, considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market. As discussed above, the proposed rule change would also provide clarity in the NSCC Rules to allow NSCC to use the Baseline Calculation for determining impact costs for certain equity ETFs in the MLA charge when certain data inputs required for the Create/Redeem Calculation are not available.³⁰ The proposed changes would enable NSCC to use its existing, conservative Baseline Calculation for determining the impact costs of liquidating certain equity ETFs to generate Clearing Fund requirements that appropriately address risks presented to NSCC. NSCC believes that these proposed changes are reasonably designed to allow NSCC to consider, and produce margin levels commensurate with, the risks and particular attributes of relevant products, portfolios, and markets in accordance with Exchange Act Rule 17ad-22(e)(6)(i).

For the reasons set forth above, NSCC believes the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act³¹ and Rule 17ad-22(e)(6) thereunder.³²

²⁹ 17 CFR 240.17ad-22(e)(6)(i).

³⁰ Rule 17ad-22(e)(6)(iv) under the Act requires each CCA that is a central counterparty to establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, uses reliable sources of timely price data and other substantive inputs, and uses procedures (and, with respect to price data, sound valuation models) for addressing circumstances in which price data or other substantive inputs are not readily available or reliable, to ensure that the CCA can continue to meet its obligations under Rule 17ad-22(e)(6). Such policies and procedures must include either (i) the use of price data or substantive inputs from an alternate source; or (ii) if it does not use an alternate source, the use of a risk-based margin system that does not rely on substantive inputs that are unavailable or unreliable. See 17 CFR 240.17ad-22(e)(6)(iv). NSCC has not at this time determined the data inputs required for the Create/Redeem Calculation to be “substantive inputs” for purposes of Rule 17ad-22(e)(6)(iv); however, NSCC still believes that it is appropriate to allow NSCC to use its existing alternative Baseline Calculation for the MLA charge, which do not rely on those inputs, if the data inputs for the Create/Redeem Calculation are not available.

³¹ 15 U.S.C. 78q-1(b)(3)(F).

³² 17 CFR 240.17ad-22(e)(6).

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

Section 17A(b)(3)(I) of Act³³ requires that the rules of a clearing agency do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. NSCC does not believe the proposed rule change would present any burden or have a material impact on competition. The proposed rule change is primarily designed to ensure that the NSCC Rules remain transparent, accurate and clear, particularly concerning NSCC's existing processes for the ongoing monitoring, recalculation and collection of Intraday Margin Charges. To the extent that NSCC is introducing new authority in its Rules, such as the potential use of the Baseline Calculation for MLA charges when the Create/Redeem Calculation is not available or adopting authority to lower Intraday Margin Call thresholds for individual Members, these Rules would apply equally to all Members and would not inhibit access to NSCC's services or favor any particular Member over another. With respect to individual Member margin call thresholds, this authority would only be utilized in the event that circumstances require NSCC to address market conditions or financial or operational capabilities specifically impacting unique Members or groups of Members and broader market conditions do not warrant lowering the threshold across all Members. NSCC believes the proposed change is necessary and appropriate to facilitate NSCC's compliance with requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency, specifically NSCC's obligations to effectively identify, measure, monitor, and manage its credit exposures to participants under Rules 17ad-22(e)(4) and (6).³⁴ Therefore, NSCC does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

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

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment submissions. Commenters should 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. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at tradingandmarkets@sec.gov or 202-551-5777.

³³ 15 U.S.C. 78q-1(b)(3)(I).

³⁴ 17 CFR 240.17ad-22(e)(4) and (6).

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 Act³⁵ 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.

(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 NSCC Rules.

³⁵ 15 U.S.C. 78s(b)(2).

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[____]; File No. SR-NSCC-2025-005)

[DATE]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change Concerning the Collection of Intraday Margin

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on April __, 2025, 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 (“NSCC Rules”) to address recently adopted amendments to the Commission’s Standards for Covered Clearing Agencies (“CCAS Rules”) concerning the collection of intraday margin.³

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Capitalized terms not defined herein shall have the meaning assigned to such terms in the NSCC Rules, available at www.dtcc.com/legal/rules-and-procedures.

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 of Proposed Changes

On October 25, 2024, the Commission adopted amendments to the CCAS Rules to add new requirements related to the collection of intraday margin by a covered clearing agency ("CCA").⁴ Specifically, the Commission amended Rule 17ad-22(e)(6)(ii)⁵ to establish new requirements with respect to a CCA's policies and procedures regarding the collection of intraday margin to: (i) include a new requirement to monitor intraday exposures on an ongoing basis; (ii) modify the preexisting reference to making intraday calls "in defined circumstances" to making intraday calls "as frequently as circumstances warrant" and identifying examples of such circumstances; and (iii) require that a CCA document when it determines not to make an intraday margin

⁴ Securities Exchange Act Release No. 101446 (Oct. 25, 2024), 89 FR 91000 (Nov. 18, 2024) (File No. S7-10-23) ("Adopting Release," and the intraday margin rules adopted therein referred to herein as "CCAS Margin Rules").

⁵ 17 CFR 240.17ad-22(e)(6)(ii).

call pursuant to its written policies and procedures.⁶ As described below, the proposed changes to the NSCC Rules are primarily designed to facilitate compliance with these requirements.

Background

NSCC is a clearing agency that provides clearing, settlement, risk management, and central counterparty services for trades involving equity securities, corporate and municipal debt, exchange traded funds and unit investment trusts. NSCC manages its credit exposure to its Members by determining the appropriate Required Fund Deposit to the Clearing Fund for each Member and by monitoring the sufficiency of such deposits, as provided for in the NSCC Rules.⁷

The objective of a Member's Required Fund Deposit is to mitigate potential losses to NSCC associated with liquidating a Member's portfolio in the event NSCC ceases to act for that Member (hereinafter referred to as a "default").⁸ Required Fund Deposits operate, individually, as the Member's margin, and the aggregate of all such Members' deposits is referred to, collectively, as the Clearing Fund, which operates as NSCC's default fund. NSCC would access the Clearing Fund should a defaulting Member's own Required Fund Deposit be insufficient to satisfy losses to NSCC caused by the liquidation of that Member's portfolio.

Each Member's Required Fund Deposit amount consists of a number of applicable components, each of which is calculated to address specific risks faced by NSCC, as identified

⁶ See Adopting Release, supra note 4 at 91000.

⁷ See NSCC Rule 4, supra note 3.

⁸ The NSCC Rules identify when NSCC may cease to act for a Member and the types of actions NSCC may take. See NSCC Rule 46 (Restrictions on Access to Services), supra note 3.

within the Rules. The major components of NSCC's Clearing Fund charges include, but are not limited to: (i) volatility charges for securities based on asset type and liquidity profile; (ii) mark-to-market charges; (iii) fail charges; (iv) a charge for Family-Issued Securities to mitigate wrong way risk; (v) a charge to mitigate day over day margin differentials; (vi) a coverage component; (vii) a margin liquidity adjustment component; (viii) a backtesting charge; and (iv) an excess capital premium charge.⁹

Overview of Intraday Monitoring and Margin Collection

NSCC Procedure XV describes NSCC's Clearing Fund formula and methodology. NSCC calculates and collects Clearing Fund from its Members (i.e., a Required Fund Deposit) on a daily basis using a risk-based margin methodology.¹⁰ A Member's Required Fund Deposit may vary daily and is generally based upon the Member's trading activity and current unsettled positions. Required Fund Deposit deficits are due to NSCC each business day, typically by 10:00 a.m. Eastern Time. In addition, NSCC may call for additional margin on an intraday basis, as needed.

⁹ See NSCC Procedure XV, supra note 3.

¹⁰ Section 12 of NSCC Rule 56 describes the Clearing Fund obligations associated with NSCC's Securities Financing Transaction Clearing service. Section 12(c) of NSCC Rule 56 specifically provides that NSCC calculates the amount of each SFT Member's required deposit for its SFT Positions by applying the Clearing Fund formula for CNS Transactions in Sections I.(A)(1) (a), (b), (c), (e), (f), (g) of NSCC Procedure XV, as well as the additional Clearing Fund formula in Section I.(B)(5) (Intraday Mark-to-Market Charge) and (6) (Intraday Volatility Charge) of NSCC Procedure XV, except as noted otherwise, in the same manner as such sections apply to CNS Transactions submitted for regular way settlement. See Section 12 of NSCC Rule 56, supra note 3.

Pursuant to Sections I.(B)(5) and (6) of NSCC Procedure XV,¹¹ NSCC has discretionary authority to collect margin on an intraday basis based on changes to a Member's intraday mark-to-market exposure ("Intraday Mark-to-Market Charge" or "Intraday MTM Charge") and intraday volatility exposure ("Intraday Volatility Charge") (collectively, "Intraday Margin Charges"). These procedures describe the calculations for the Intraday MTM Charge and Intraday Volatility Charge and the thresholds used to trigger the potential collection of such charges.

The Intraday MTM Charge is based on the difference between the last marked-to-market price of a Member's net CNS and Balance Order positions (including CNS fails) and the most recently observed market price for such positions.¹² An Intraday MTM Charge may generally be imposed if the difference of this calculation meets or exceeds 80 percent of the "volatility charge" component of the Member's start of day Clearing Fund requirement.¹³ NSCC may reduce this threshold during volatile market conditions if it determines that a reduction of the threshold is appropriate to mitigate risks to NSCC.

The Intraday Volatility Charge is based on the difference between a Member's start of day volatility charge and intraday volatility charges calculated with respect to its net unsettled CNS and Balance Order positions.¹⁴ An Intraday Volatility Charge may

¹¹ See Sections I.(B)(5) and (6) of NSCC Procedure XV, supra note 3.

¹² See Section I.(B)(5) of NSCC Procedure XV, supra note 3.

¹³ The "volatility charge" component of each Member's Required Fund Deposit is designed to measure market price volatility of the start-of-day portfolio and is calculated for Members' net unsettled positions. See NSCC Procedure XV, Section I.(A)(1)(a) for CNS Transactions and Section I.(A)(2)(a) for Balance Order Transactions, supra note 3.

¹⁴ See Section I.(B)(6) of NSCC Procedure XV, supra note 3. The amount of the charge is reduced by the portion of the margin requirement differential charge that

generally be imposed if the difference of this calculation meets or exceeds 100 percent and the amount that would be collected is greater than \$250,000. NSCC may reduce the 100 percent threshold, for example during volatile market conditions or market events that cause increases in trading volumes, if NSCC determines that a reduction of the threshold is appropriate to mitigate risks to NSCC.

Intraday market moves and positions are monitored by NSCC on an ongoing basis. NSCC conducts intraday monitoring of its exposures for purposes of Intraday Margin Charges at 15-minute intervals generally between the hours of 10:00 a.m. to 4:30 p.m. Eastern Time, unless such intervals are extended by NSCC to address operational or other delays. NSCC reviews these intraday snapshots of each Member's portfolio to determine whether the Member has experienced an adverse risk exposure that warrants NSCC assessing Intraday MTM Charge and/or Intraday Volatility Charge.

Through this filing, NSCC is providing additional clarity and transparency in the Rules concerning NSCC's processes for the ongoing monitoring, recalculation and collection of Intraday Margin Charges, including circumstances in which NSCC may determine not to collect such a charge, to facilitate compliance with the newly adopted CCAS Margin Rules.¹⁵ The proposed changes are described in detail below.

represents the volatility component collected at the start of the day and excludes the amount calculated for long positions in Family Issued Securities and shares delivered to or received by the Member to satisfy all or any portion of a short or long position.

¹⁵ See 17 CFR 240.17ad-22(e)(6)(ii) and supra note 4.

Proposed Changes to the NSCC Rules

NSCC proposes to amend Sections I.(B)(5) and I.(B)(6) of NSCC Procedure XV to provide additional clarity and transparency in the NSCC Rules concerning NSCC's processes for the ongoing monitoring, recalculation and collection of Intraday MTM Charges and Intraday Volatility Charges, including circumstances in which NSCC may determine not collect such a charge, to facilitate compliance with the newly adopted CCAS Margin Rules.¹⁶ In addition, NSCC proposes to adopt new authority to reduce its intraday margin thresholds for a given Member to require a Member to make additional Intraday MTM or Intraday Volatility Charge payments if NSCC determines it to be necessary to protect itself and its Members in response to factors such as market conditions or financial or operational capabilities affecting such Member. NSCC also proposes clarifying changes in Section I.(A) of Procedure XV to note that it may use the baseline calculation for the Margin Liquidity Adjustment ("MLA") charge for certain equity exchange-traded fund ("ETF") positions to address circumstances where certain data inputs needed for the creation/redemption calculation for MLA are not available. Finally, NSCC would make additional clarifying changes to add an introductory paragraph in Procedure XV concerning the frequency of its Clearing Fund calculations and the potential for extension of such actions. The proposed changes are described in detail below.

¹⁶ See id.

Intraday Margin Charges Generally

Proposed Changes Concerning Ongoing Monitoring, Calculation and Collection of Intraday Margin Charges

NSCC proposes to modify Section I.(B)(5) of NSCC Procedure XV to provide additional clarity and transparency regarding NSCC's process for the ongoing monitoring and recalculation of its intraday mark-to-market and volatility exposures and the collection of Intraday Margin Charges. First, NSCC proposes to consolidate its procedures for Intraday Mark-to-Market Charges and Intraday Volatility Charges into Section I.(B)(5) of Procedure XV and rename Section I.(B)(5) of Procedure XV to reference Intraday Margin Charges generally, rather than Intraday Mark-to-Market Charges specifically. NSCC would also add a new introductory paragraph to the procedure to describe NSCC's intraday monitoring process and general authority to make intraday margin calls. The proposed rule would provide that NSCC shall establish procedures for the ongoing monitoring and recalculation of its intraday mark-to-market and volatility exposures, during such times and at such frequency as set forth by NSCC, and that NSCC will communicate to Members the timing and frequency with which NSCC monitors and re-calculates its intraday mark-to-market and volatility exposures by posting such information on NSCC's public website.¹⁷ The proposed rule change would also state that NSCC may collect payments from Members on an intraday basis based on intraday changes in its risk exposures, defined generally as an "Intraday Margin Charge," including when certain risk thresholds are breached or when the products cleared or markets served display elevated volatility. The proposed rule would further clarify that

¹⁷ As noted above, NSCC currently monitors and recalculates its intraday mark-to-market and volatility exposures in 15-minute intervals throughout the day.

Intraday Margin Charges include charges based on re-calculated mark-to-market exposures (“Intraday Mark-to-Market Charge”) and volatility exposures (“Intraday Volatility Charge”) for each Member, as further defined in the Procedure. NSCC would also make a conforming change to Section 12(c) of NSCC Rule 56 regarding Clearing Fund obligations for SFT Positions to reflect the consolidation of its procedures for Intraday Mark-to-Market Charges and Intraday Volatility Charges into Section I.(B)(5) of Procedure XV.¹⁸

The proposed change is intended to provide additional clarity and transparency in the NSCC Rules concerning how NSCC facilitates compliance with requirements in the CCAS Margin Rules that each CCA have policies and procedures reasonably designed to (i) monitor intraday exposures on an ongoing basis and (ii) make intraday margin calls, as frequently as circumstances warrant, including when risk thresholds specified by NSCC are breached or when products cleared or markets served display elevated volatility.¹⁹

Proposed Changes Concerning Determinations Not to Collect Intraday Margin Charges

NSCC also proposes to amend Section I.(B)(5) of Procedure XV to provide additional clarity and transparency around NSCC’s process for determining whether to collect Intraday Margin Charges. As described above, NSCC monitors its intraday mark-to-market and volatility exposures in 15-minute intervals throughout the day and has discretionary authority to collect Intraday MTM Charges and/or Intraday Volatility Charges based on changes to a Member’s intraday mark-to-market and volatility

¹⁸ See supra note 10.

¹⁹ See 17 CFR 240.17ad-22(e)(6)(ii)(B) and (C) and supra note 4.

exposures. NSCC considers a number of factors when determining whether to collect an Intraday Margin Charge based on exposures that breach certain defined thresholds (discussed below) at any given 15-minute interval. Accordingly, NSCC proposes to amend Section I.(B)(5) of Procedure XV to describe this intraday margin assessment process in the NSCC Rules.

NSCC proposes to add new rule text to the procedure to provide that NSCC may determine not to collect an Intraday Margin Charge in circumstances where NSCC determines that the intraday exposure of the Member and/or breaches of certain thresholds do not accurately reflect NSCC's risk exposure to the Member. The proposed rules would also provide examples of circumstances that NSCC may consider with respect to such a determination, which may include, but are not limited to: (i) market conditions and/or portfolio composition result in the defined thresholds not being breached on a consistent or persistent basis; (ii) trades will be offset by trades submitted later in the day; (iii) the defined threshold was met due to the submission of erroneous trades that are being corrected; or (iv) the defined threshold was met due to erroneous data inputs.

Additionally, NSCC would adopt new rules stating that any reduction or determination not to collect an Intraday Margin Charge, or any waiver of an Intraday Volatility Charge (as discussed below), shall be approved, documented and reviewed on a regular basis pursuant to NSCC's procedures. Pursuant to NSCC's market risk management procedures, NSCC's Market Risk Management team monitors Members' open positions and exposures on a 15-minute basis throughout the day and identifies accounts that exceed certain pre-established thresholds. These thresholds trigger

research, review and escalation actions, including recommendations for making an Intraday Margin Call. If a recommendation to collect an Intraday Margin Call is made, this is escalated to more senior members of Market Risk Management in accordance with specified escalation procedures. If an Intraday Margin Call is not recommended or reduced (or with respect to an Intraday Volatility Charge, waived), a member of the Market Risk Management team documents this determination in accordance with NSCC's market risk management procedures.

The proposed change is intended to provide additional clarity and transparency in the NSCC Rules concerning NSCC's Intraday Margin Call determination process and how NSCC facilitates compliance with requirements in the CCAS Margin Rules that each CCA have policies and procedures reasonably designed to document when NSCC determines not to make an intraday call pursuant to its written policies and procedures.²⁰

Intraday Mark-to-Market Charges

NSCC proposes clarifying changes to existing procedures in Section I.(B)(5) of NSCC Procedure XV concerning the calculation of Intraday MTM Charges. First, NSCC would create new sub-paragraph (a) of Section I.(B)(5) of Procedure XV to specifically address Intraday MTM Charges. NSCC would make non-substantive cleanup changes to the procedure to describe the existing charge and clarify that the charge reflects the difference between the most recent NSCC "marked"-to-market price and most recently observed market price of a Member's positions. NSCC would also add a new defined term, "Intraday Mark-to-Market Threshold," to represent the existing 80 percent threshold for Intraday Mark-to-Market Charges.

²⁰ See 17 CFR 240.17ad-22(e)(6)(ii)(D) and supra note 4.

In addition, NSCC would remove a clause stating that NSCC may reduce the Intraday Mark-to-Market Threshold during volatile market conditions “by accelerating the collection of anticipated additional margin from Members whose portfolios may present relatively greater risks to [NSCC] on an overnight basis.” NSCC believes that the revised rule text would more accurately reflect the circumstances in which NSCC may reduce the threshold because the collection of an Intraday MTM Charge would not be limited to addressing risk that may arise on an overnight basis but may also be needed to address mark-to-market risk exposures on an intraday basis. NSCC would also amend the rules to provide examples of market conditions that NSCC may consider with respect to reducing the Intraday Mark-to-Market Threshold, which include, but are not limited to, the occurrence of large price changes in a major benchmark equity index.

NSCC also proposes to add new rule authority to permit NSCC to reduce the Intraday Mark-to-Market Threshold for a given Member if NSCC determines it to be necessary to protect itself and its Members in response to factors such as market conditions or financial or operational capabilities affecting such Member. The proposed rule change would effectively allow NSCC to lower the Intraday MTM Threshold for individual Members or certain groups of Members to address market conditions or financial or operational capabilities specifically impacting those Members without requiring NSCC to lower the threshold across all Members.

The proposed change is intended to provide additional clarity and transparency in the NSCC Rules concerning how NSCC facilitates compliance with requirements in the CCAS Margin Rules that each CCA have policies and procedures reasonably designed to make intraday margin calls, as frequently as circumstances warrant, including when risk

thresholds specified by NSCC are breached or when products cleared or markets served display elevated volatility.²¹

Intraday Volatility Charges

NSCC proposes clarifying and cleanup changes to the existing procedure language concerning the calculation of the Intraday Volatility Charge. First, NSCC would create new sub-paragraph (b) of Section I.(B)(5) of NSCC Procedure XV to specifically address Intraday Volatility Charges. NSCC would make non-substantive cleanup changes to the procedure to describe the existing charge. NSCC would also add a new defined term, “Intraday Volatility Threshold,” to represent the 100 percent threshold for Intraday Volatility Charges.

Additionally, NSCC proposes to remove existing rule text stating that NSCC would not collect an Intraday Volatility Charge if (a) trades submitted later in the day would offset trades submitted earlier in the day, such that the thresholds would not have been met if such activity had been submitted earlier in the day, or (b) the threshold was met due to the submission of an erroneous trade that can be corrected. This procedure language would be replaced by the proposed rules discussed above, which would provide an enhanced explanation of NSCC’s process for determining whether to collect an Intraday Margin Charge, which includes the aforementioned scenarios for determining whether to collect an Intraday Volatility Charge.

In addition, NSCC would remove a clause stating that NSCC may reduce the Intraday Volatility Threshold during volatile market conditions or market events that cause increases in trading volumes “by accelerating the collection of anticipated

²¹ See 17 CFR 240.17ad-22(e)(6)(ii)(C) and supra note 4.

additional margin from those Members whose portfolios may present relatively larger risks to [NSCC] on an overnight basis.” NSCC believes that the revised rule text would more accurately reflect circumstances in which NSCC may reduce the threshold because the collection of an Intraday Volatility Charge would not be limited to addressing risk that may arise on an overnight basis but may also be needed to address volatility risk exposures on an intraday basis. NSCC would also amend the rules to provide examples of market conditions that NSCC may consider with respect reducing the Intraday Volatility Threshold, which include, but are not limited to, ETF index rebalancing periods or the occurrence of large price changes in a major benchmark equity index.

NSCC also proposes to add new rule authority to permit NSCC to reduce the Intraday Volatility Threshold for a given Member if NSCC determines it to be necessary to protect itself and its Members in response to factors such as market conditions or financial or operational capabilities affecting such Member. The proposed rule change would effectively allow NSCC to lower the Intraday Volatility Threshold for individual Members or certain groups of Members to address market conditions or financial or operational capabilities specifically impacting those Members without requiring NSCC to lower the threshold across all Members.

NSCC would also adopt new rules concerning NSCC’s authority to waive, in exigent circumstances, an Intraday Volatility Charge that it may otherwise ordinarily collect. Specifically, the proposed rule change would provide that NSCC may waive the collection of an Intraday Volatility Charge in exigent circumstances if NSCC determines (i) that such a waiver is necessary to protect NSCC, its participants, investors and the

public interest or (ii) that NSCC can effectively address the risk exposure presented by the Member without the collection of such charge.

The proposed change is intended to provide additional clarity and transparency in the NSCC Rules concerning how NSCC facilitates compliance with requirements in the CCAS Margin Rules that each CCA have policies and procedures reasonably designed to make intraday margin calls, as frequently as circumstances warrant, including when risk thresholds specified by NSCC are breached or when products cleared or markets served display elevated volatility.²²

Other Proposed Changes to NSCC Rules

Proposed Clarifications Concerning the Frequency of Clearing Fund Calculations

NSCC proposes to amend the introductory section of NSCC Procedure XV to rename the Procedure and provide additional context regarding the frequency of NSCC's Clearing Fund calculations. Specifically, the proposed rule change would relocate a footnote to the introductory section of Procedure XV stating that NSCC performs all Clearing Fund calculations daily or on a more frequent basis if NSCC deems it appropriate. NSCC also proposes to add additional clarifying language to this section noting that times all may be extended as needed by NSCC to (i) address operational or other delays that would reasonably prevent members or NSCC from meeting the deadline or timeframe, as applicable, or (ii) allow NSCC time to operationally exercise its existing rights under the NSCC Rules and Procedures. In addition, the proposed rules would

²²

Id.

clarify that all times applicable to NSCC are standards and not deadlines; actual processing times may vary slightly, as necessary.

Proposed Clarifications Concerning MLA Charge Calculation for Certain Equity ETFs

NSCC also proposes to amend Sections I.(A)(1)(g) and I.(A)(2)(f) of NSCC Procedure XV to make certain clarifications regarding the calculation of the MLA charge for CNS and Balance Order transactions, respectively.²³ As noted above, one of the primary components of NSCC's Clearing Fund calculation is the MLA charge, which applies to a Member's Net Unsettled Positions, other than long Net Unsettled Positions in Family-Issued Securities. For ETFs with in-kind baskets, NSCC runs two separate calculations to compare and determine the "impact cost" of liquidating the ETF. NSCC runs (i) a baseline calculation to simulate all the ETF positions being liquidated in the secondary market (the "Baseline Calculation") with the impact cost calculation being at the security level (i.e., the ETF shares) and (ii) an alternative calculation ("Create/Redeem Calculation") to simulate the ETF positions being liquidated in the primary market using the creation/redemption process.²⁴ NSCC then uses the smaller calculated impact costs of either the Baseline Calculation or the Create/Redeem Calculation for purposes of calculating the MLA charge.

²³ NSCC notes that the MLA charge is also applied to SFT Positions. See NSCC Rule 56, Section 12, supra note 3.

²⁴ The impact costs for the Create/Redeem Calculation are calculated by decomposing the ETFs into their underlying securities and calculating the impact costs of such underlying securities utilizing the equity asset subgroup calculations. See NSCC Procedure XV, Sections I.(A)(1)(g) and I.(A)(2)(f), supra note 3.

NSCC proposes to modify Sections I.(A)(1)(g) and I.(A)(2)(f) of Procedure XV to clarify that, if certain data inputs needed to determine ETF decomposition for the Create/Redeem Calculation are unavailable or unreliable, NSCC may use the Baseline Calculation for purposes of calculating the MLA charge for ETFs. The proposed rule change is intended to address limited scenarios where NSCC may be unable to perform both calculations for comparison. In such a scenario, NSCC believes it may be appropriate to use the Baseline Calculation to determine the impact cost and resulting MLA charge for the ETF(s) in question. NSCC is not proposing any changes to the manner in which it would calculate the Baseline Calculation or the Create/Redeem Calculation or the manner in which NSCC would determine the impact cost when both calculations are available and reliable.

Implementation Timeframe

NSCC expects to implement the proposed rule change by no later than December 15, 2025, and would announce the effective date of the proposed changes by an Important Notice posted to NSCC's website.

2. Statutory Basis

NSCC believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. Specifically, NSCC believes that the proposed changes are consistent with Section 17A(b)(3)(F) of the Act²⁵ and Rule 17ad-22(e)(6) thereunder²⁶ for the reasons set forth below.

²⁵ 15 U.S.C. 78q-1(b)(3)(F).

²⁶ 17 CFR 240.17ad-22(e)(6).

Section 17A(b)(3)(F) of Act²⁷ requires, in part, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible and, in general, to protect investors and the public interest. The proposed rule change would enhance the clarity and transparency of NSCC's Rules regarding the ongoing monitoring, calculation and collection of Intraday Margin Charges. Specifically, the proposed rule change would enhance Procedure XV of the NSCC Rules to more clearly describe how NSCC: (i) monitors its intraday mark-to-market and volatility exposures each day on an ongoing basis; (ii) makes intraday calls for Intraday Margin Charges, as frequently as circumstances warrant, including when certain risk thresholds are breached or when the products cleared or markets served display elevated volatility; and (iii) determines whether to make an Intraday Margin Call and documents when it determines to waive, reduce or not make an Intraday Margin Call pursuant to its written policies and procedures. The proposed rule change would also introduce authority for NSCC to lower its intraday margin call thresholds for individual Members or certain groups of Members to address market conditions or financial or operational capabilities specifically impacting those Members without requiring NSCC to lower the threshold across all Members. NSCC believes that providing this additional transparency and clarity in the NSCC Rules would promote the understanding of NSCC's intraday margin processes by NSCC's Members, market participants and the public. This, in turn, would help Members understand their potential obligations to NSCC, particularly with respect to

²⁷ 15 U.S.C. 78q-1(b)(3)(F).

Intraday Margin Charges, so that they are better equipped and able to satisfy such obligations when due. NSCC uses the margin and Clearing Fund it collects to mitigate potential losses to NSCC (and through loss allocation, to its Members) associated with liquidating a defaulting Member's portfolio and to continue to effect the prompt and accurate clearance and settlement of securities transactions in the event NSCC ceases to act for a Member. As a result, NSCC believes the proposed rule change is designed to promote the prompt and accurate clearance and settlement of securities transactions, to assure the safeguarding of securities and funds which are in the custody or control of NSCC or for which it is responsible and, in general, to protect investors and the public interest in accordance with the requirements of Section 17A(b)(3)(F) of Act.

The proposed rule change would also provide clarity in the NSCC Rules to allow NSCC to use the Baseline Calculation for determining the impact costs for certain equity ETFs in the MLA charge when certain data inputs required for the Create/Redeem Calculation are not available. NSCC believes that using the existing, conservative Baseline Calculation for determining the impact costs of liquidating certain equity ETFs in such a scenario would appropriately address risks presented to NSCC. As noted above, NSCC uses the margin and Clearing Fund it collects to mitigate potential losses to NSCC and its Members and to continue to effect the prompt and accurate clearance and settlement of securities transactions in the event NSCC ceases to act for a Member. As a result, NSCC believes the proposed changes are designed to promote the prompt and accurate clearance and settlement of securities transactions, to assure the safeguarding of securities and funds which are in the custody or control of NSCC or for which it is

responsible and, in general, to protect investors and the public interest in accordance with the requirements of Section 17A(b)(3)(F) of the Act.

Exchange Act Rule 17ad-22(e)(6)(ii)²⁸ requires that a CCA establish, implement, maintain, and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, among other things, (i) monitors intraday exposures on an ongoing basis; (ii) includes the authority and operational capacity to make intraday margin calls, as frequently as circumstances warrant, including the following circumstances: (1) when risk thresholds specified by the CCA are breached; or (2) when the products cleared or markets served display elevated volatility; and (iii) documents when the CCA determines not to make an intraday call pursuant to its written policies and procedures. The proposed rule change would enhance the clarity and transparency of NSCC's Rules regarding the ongoing monitoring, calculation and collection of Intraday Margin Charges. Specifically, the proposed rule change would enhance Procedure XV of the NSCC Rules to more clearly describe how NSCC: (i) monitors its intraday mark-to-market and volatility exposures each day on an ongoing basis; (ii) makes intraday calls for Intraday Margin Charges, as frequently as circumstances warrant, including when certain risk thresholds are breached or when the products cleared or markets served display elevated volatility; and (iii) determines whether to make an Intraday Margin Call and documents when it determines to waive, reduce or not make an Intraday Margin Call pursuant to its written policies and procedures. Accordingly, NSCC believes the proposed changes to the NSCC Rules are

²⁸ 17 CFR 240.17ad-22(e)(6)(ii).

reasonably designed to facilitate compliance with the requirements of Exchange Act Rule 17ad-22(e)(6)(ii).

Exchange Act Rule 17ad-22(e)(6)(i)²⁹ requires that a CCA establish, implement, maintain, and enforce written policies and procedures reasonably designed to establish a risk-based margin system that, among other things, considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market. As discussed above, the proposed rule change would also provide clarity in the NSCC Rules to allow NSCC to use the Baseline Calculation for determining impact costs for certain equity ETFs in the MLA charge when certain data inputs required for the Create/Redeem Calculation are not available.³⁰ The proposed changes would enable NSCC to use its existing, conservative Baseline Calculation for determining the impact costs of liquidating certain equity ETFs to generate Clearing Fund requirements that

²⁹ 17 CFR 240.17ad-22(e)(6)(i).

³⁰ Rule 17ad-22(e)(6)(iv) under the Act requires each CCA that is a central counterparty to establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, uses reliable sources of timely price data and other substantive inputs, and uses procedures (and, with respect to price data, sound valuation models) for addressing circumstances in which price data or other substantive inputs are not readily available or reliable, to ensure that the CCA can continue to meet its obligations under Rule 17ad-22(e)(6). Such policies and procedures must include either (i) the use of price data or substantive inputs from an alternate source; or (ii) if it does not use an alternate source, the use of a risk-based margin system that does not rely on substantive inputs that are unavailable or unreliable. See 17 CFR 240.17ad-22(e)(6)(iv). NSCC has not at this time determined the data inputs required for the Create/Redeem Calculation to be “substantive inputs” for purposes of Rule 17ad-22(e)(6)(iv); however, NSCC still believes that it is appropriate to allow NSCC to use its existing alternative Baseline Calculation for the MLA charge, which do not rely on those inputs, if the data inputs for the Create/Redeem Calculation are not available.

appropriately address risks presented to NSCC. NSCC believes that these proposed changes are reasonably designed to allow NSCC to consider, and produce margin levels commensurate with, the risks and particular attributes of relevant products, portfolios, and markets in accordance with Exchange Act Rule 17ad-22(e)(6)(i).

For the reasons set forth above, NSCC believes the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act³¹ and Rule 17ad-22(e)(6) thereunder.³²

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

Section 17A(b)(3)(I) of Act³³ requires that the rules of a clearing agency do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. NSCC does not believe the proposed rule change would present any burden or have a material impact on competition. The proposed rule change is primarily designed to ensure that the NSCC Rules remain transparent, accurate and clear, particularly concerning NSCC's existing processes for the ongoing monitoring, recalculation and collection of Intraday Margin Charges. To the extent that NSCC is introducing new authority in its Rules, such as the potential use of the Baseline Calculation for MLA charges when the Create/Redeem Calculation is not available or adopting authority to lower Intraday Margin Call thresholds for individual Members, these Rules would apply equally to all Members and would not inhibit access to NSCC's services or favor any particular Member over another. With respect to individual Member margin call thresholds, this authority would only be utilized in the event that

³¹ 15 U.S.C. 78q-1(b)(3)(F).

³² 17 CFR 240.17ad-22(e)(6).

³³ 15 U.S.C. 78q-1(b)(3)(I).

circumstances require NSCC to address market conditions or financial or operational capabilities specifically impacting unique Members or groups of Members and broader market conditions do not warrant lowering the threshold across all Members. NSCC believes the proposed change is necessary and appropriate to facilitate NSCC's compliance with requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency, specifically NSCC's obligations to effectively identify, measure, monitor, and manage its credit exposures to participants under Rules 17ad-22(e)(4) and (6).³⁴ Therefore, NSCC does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

(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.

³⁴ 17 CFR 240.17ad-22(e)(4) and (6).

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

NSCC reserves the right 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 (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NSCC-2025-005 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-2025-005. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of NSCC and on DTCC's website (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-2025-005 and should be submitted on or before [insert date 21 days after publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁵

Secretary

³⁵ 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**

RULE 56. SECURITIES FINANCING TRANSACTION CLEARING SERVICE

[Changes to this Rule, as amended by File No. SR-NSCC-2025-005, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than December 15, 2025, these changes will be implemented, and this legend will be automatically removed from this Rule.]

* * *

SEC. 12. Clearing Fund Obligations.

* * *

(c) The Corporation shall calculate the amount of each such SFT Member's required deposit for SFT Positions, subject to a \$250,000 minimum (excluding the minimum contribution to the Clearing Fund as required by Procedure XV, Section II.(A)), by applying the Clearing Fund formula for CNS Transactions in Sections I.(A)(1) (a), (b), (c), (e), (f), (g)¹ of Procedure XV as well as the additional Clearing Fund formulas **and procedures applicable to Intraday Mark-to-Market Charges and Intraday Volatility Charges** in Section I.(B)(5) ~~**(Intraday Mark-to-Market Charge) and (6) (Intraday Volatility Charge)**~~ of Procedure XV, except as noted otherwise, in the same manner as such sections apply to CNS Transactions submitted to the Corporation for regular way settlement, plus, with respect to any Non-Returned SFT, an additional charge that is calculated by (x) multiplying the Current Market Price of the SFT Securities that are the subject of such Non-Returned SFTs by the number of such SFT Securities that are the subject of the SFT and (y) multiplying such product by (i) 5% for SFT Members rated 1 through 4 on the Credit Risk Rating Matrix, (ii) 10% for SFT Members rated 5 or 6 on the Credit Risk Rating Matrix, or (iii) 20% for SFT Members rated 7 on the Credit Risk Rating Matrix shall be applied to each SFT Member that is a party thereto (collectively, the "Required SFT Deposit"); provided, however, notwithstanding anything to the contrary, (x) a minimum of 40% of an SFT Member's Required SFT Deposit shall be made in the form of cash and/or Eligible Clearing Fund Treasury Securities and (y) the lesser of \$5,000,000 or 10% of an SFT Member's Required SFT Deposit, with a minimum of \$250,000, must be made and maintained in cash; provided, further, the additional Clearing Fund formula in Sections I.(B) (1) (Additional Deposits for Members on the Watch List), (2) (Excess Capital Premium), (3) (Backtesting Charge), and (4) (Bank Holiday Charge) of Procedure XV, as well as the Minimum Clearing Fund and Additional Deposit Requirements in Sections II.(A), II.(B), II.(C), and II.(D) of Procedure

¹ For the purpose of applying Section I.(A)(1)(g) of Procedure XV (Margin Liquidity Adjustment (MLA) charge), SFT Positions shall be categorized in the same asset groups or subgroups as the underlying SFT Securities in such SFT Positions. In the event a Member's portfolio contains both (x) SFT Positions and (y) Net Unsettled Positions or Net Balance Order Unsettled Positions, the Corporation shall calculate the MLA charge as the greater of (a) the sum of (1) MLA charges separately calculated for SFT Positions and (2) MLA charges separately calculated for Net Unsettled Positions and Net Balance Order Unsettled Positions and (b) the MLA charge calculated from combining the SFT Positions, Net Unsettled Positions and Net Balance Order Unsettled Positions.

XV, shall apply to SFT Members in the same manner as such sections apply to Members.

* * *

PROCEDURE XV. CLEARING FUND FORMULA AND ~~OTHER~~
MATTERS METHODOLOGY²

[Changes to this Procedure, as amended by File No. SR-NSCC-2025-005, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than December 15, 2025, these changes will be implemented, and this legend will be automatically removed from this Procedure.]

The Corporation performs Clearing Fund calculations daily or on a more frequent basis as the Corporation deems it appropriate. All times may be extended as needed by the Corporation to (i) address operational or other delays that would reasonably prevent Members or the Corporation from meeting the deadline or timeframe, as applicable, or (ii) allow the Corporation time to operationally exercise its existing rights under these Rules and Procedures. In addition, times applicable to the Corporation are standards and not deadlines; actual processing times may vary slightly, as necessary.

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

* * *

(g) A Margin Liquidity Adjustment (“MLA”) charge shall apply to a Member’s Net Unsettled Positions, other than long Net Unsettled Positions in Family-Issued Securities.

* * *

The Corporation will then use the smaller calculated impact costs of the baseline calculation and the create/redeem calculation for purposes of calculating the MLA charge for ETFs. **Notwithstanding the foregoing, if certain data inputs needed to determine ETF decomposition for the create/redeem calculation are unavailable**

² ~~All calculations shall be performed daily or, if the Corporation deems it appropriate, on a more frequent basis.~~

or unreliable, the Corporation may use the baseline calculation for purposes of calculating the MLA charge for ETFs.

* * *

(2) For Balance Order Transactions

* * *

(f) An MLA charge shall apply to a Member's Net Balance Order Unsettled Positions, other than long Net Balance Order Unsettled Positions in Family-Issued Securities.

* * *

The Corporation will then use the smaller calculated impact costs of the baseline calculation and the create/redeem calculation for purposes of calculating the MLA charge for ETFs. **Notwithstanding the foregoing, if certain data inputs needed to determine ETF decomposition for the create/redeem calculation are unavailable or unreliable, the Corporation may use the baseline calculation for purposes of calculating the MLA charge for ETFs.**

* * *

I.(B) Additional Clearing Fund Formula

* * *

(5) Intraday ~~Mark-to-Market~~ Margin Charges

The Corporation shall establish procedures for the ongoing monitoring and recalculation of its intraday mark-to-market and volatility exposures, during such times and at such frequency as set forth by the Corporation, which times and frequencies shall be communicated to Members on the Corporation's public website. The Corporation may collect payments from Members on an intraday basis based on intraday changes in the Corporation's risk exposures ("Intraday Margin Charge"), including when certain risk thresholds are breached or when the products cleared or markets served display elevated volatility. Intraday Margin Charges include charges based on the Corporation's re-calculated mark-to-market exposures ("Intraday Mark-to-Market Charge") and volatility exposures ("Intraday Volatility Charge") for each Member, as described in paragraphs (a) and (b) below.

The Corporation may determine not to collect an Intraday Margin Charge or may decrease the amount of an Intraday Margin Charge in circumstances where the Corporation determines that the intraday exposure of the Member and/or breaches of certain thresholds (as defined below) do not accurately reflect the Corporation's risk exposure to the Member. Examples of circumstances that the

Corporation may consider with respect to such a determination may include, but are not limited to: (i) market conditions and/or portfolio composition result in the defined thresholds not being breached on a consistent or persistent basis; (ii) trades will be offset by trades submitted later in the day; (iii) the defined threshold was met due to the submission of erroneous trades that are being corrected; or (iv) the defined threshold was met due to erroneous data inputs.

Any reduction or determination not to collect an Intraday Margin Charge, or any waiver of an Intraday Volatility Charge, shall be approved, documented and reviewed on a regular basis pursuant to the Corporation's procedures.

(a) Intraday Mark-to-Market Charge

The Corporation may ~~also collect an payment on an intra-day basis that is~~ **Intraday Mark-to-Market Charge** calculated as the difference between (x) the most recent marked-to-market price of a Member's net CNS and Balance Order positions (including its CNS failed positions) and (y) the most recently observed market price for such positions if such difference meets or exceeds 80 percent of the Member's volatility component **("Intraday Mark-to-Market Threshold")**. The Corporation may reduce ~~such threshold~~ **the Intraday Mark-to-Market Threshold** during volatile market conditions if the Corporation determines that a reduction of the threshold is appropriate to mitigate risks to the Corporation ~~by accelerating the collection of anticipated additional margin from Members whose portfolios may present relatively greater risks to the Corporation on an overnight basis.~~ **Examples of market conditions that the Corporation may consider with respect to reducing the Intraday Mark-to-Market Threshold may include, but shall not be limited to, the occurrence of large price changes in a major benchmark equity index. Notwithstanding the foregoing, the Corporation reserves the right to reduce the Intraday Mark-to-Market Threshold for a Member if the Corporation determines it to be necessary to protect itself and its Members in response to factors such as market conditions or financial or operational capabilities affecting such Member.**

(b) Intraday Volatility Charge

The Corporation may collect an ~~additional payment ("Intraday Volatility Charge")~~ **if calculated as** (1) the difference between (i) a Member's volatility charge calculated with respect to its Net Unsettled Position, calculated pursuant to Section I.(A)(1)(a) of this Procedure, and the Member's volatility charge calculated with respect to its Net Balance Order Unsettled Positions, calculated pursuant to Section I.(A)(2)(a) of this Procedure XV ("volatility charge") at the start of the day for a Member, and (ii) the volatility charge calculated for that Member intraday exceeds 100 percent **("Intraday Volatility Threshold")**; and (2) and the amount that would be collected, as calculated by the formula set forth below, would be greater than \$250,000.

~~The Corporation would not collect an intraday volatility charge if (a) trades submitted later in the day would offset trades submitted earlier in the day, such that the thresholds would not have been met if such activity had been submitted~~

~~earlier in the day, or (b) the threshold was met due to the submission of an erroneous trade that can be corrected.~~

The amount of ~~intraday volatility charge~~Intraday Volatility Charge that may be collected shall be calculated as the difference between (1)(i) and (1)(ii) in the first paragraph of this section, reduced by the portion of the margin requirement differential charge that represents the volatility component calculated pursuant to Sections I.(A)(1)(e)(ii) and (2)(d)(ii) and collected at the start of that Business Day.

For purposes of calculating both (1)(i) and (1)(ii) in the first paragraph of this section, the Corporation would exclude the amount calculated for long positions in Family Issued Securities described in Sections I.(A)(1)(a)(iv) and (2)(a)(iv) of this Procedure XV. For purposes of calculating (1)(ii) in the first paragraph of this section, the Corporation would exclude from a Member's Net Unsettled Positions and Net Balance Order Unsettled Positions any shares delivered to or received by the Member to satisfy all or any portion of a short or long position.

The Corporation may reduce the ~~100 percent threshold~~Intraday Volatility Threshold, for example during volatile market conditions or market events that cause increases in trading volumes, if the Corporation determines that a reduction of the threshold is appropriate to mitigate risks to the Corporation ~~by accelerating the collection of anticipated additional margin from those Members whose portfolios may present relatively larger risks to the Corporation on an overnight basis.~~ Examples of market conditions that the Corporation may consider with respect to reducing the Intraday Volatility Threshold may include, but shall not be limited to, ETF index rebalancing periods or the occurrence of large price changes in a major benchmark equity index. Notwithstanding the foregoing, the Corporation reserves the right to reduce the Intraday Volatility Threshold for a Member if the Corporation determines it to be necessary to protect itself and its Members in response to factors such as market conditions or financial or operational capabilities affecting such Member.

The Corporation may waive the collection of an Intraday Volatility Charge in exigent circumstances if the Corporation determines (i) that such a waiver is necessary to protect the Corporation, its participants, investors and the public interest or (ii) it can effectively address the risk exposure presented by the Member without the collection of the Intraday Volatility Charge.

* * *