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

File No. * SR 2026 - * 009

Amendment No. (req. for Amendments *)

Filing by National Securities Clearing Corporation

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

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|--|---|--|---|---|---|
| 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"/> |
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| Pilot <input type="checkbox"/> | Extension of Time Period for Commission Action * <input type="checkbox"/> | Date Expires * <input type="text"/> | Rule <input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6) | | |
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Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010
Section 806(e)(1) *

Section 806(e)(2) *

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

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

Enhance the Supplemental Liquidity Deposit Rules, Methodology and Processes

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Last Name *

Title *

E-mail *

Telephone * Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, National Securities Clearing Corporation has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date

(Title *)

By

(Name *)

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Date: 2026.06.18
16:21:49 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *

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Narrative - SLD Rule Enhancements -

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

Exhibit 1 - Notice of Proposed Rule Change *

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Exh 1A - SLD Rule Enhancements - 2

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

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

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

Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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Exh 3 (Redacted) - SLD Rule Enhance

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

Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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Exh 5 - SLD Rule Enhancements - 202

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

Partial Amendment

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

1. Text of the Proposed Rule Change

(a) Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)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 enhance NSCC’s Supplemental Liquidity Deposit (“SLD”) rules, methodology and processes (“SLD Rules”). The proposed modifications to the NSCC Rules are included 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 at meetings held on February 13, 2024, and August 19, 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

The proposed rule change would (i) standardize the netting methodology and processes used by NSCC to project its intraday liquidity needs and determine intraday SLD Obligations;⁴ (ii) provide a more detailed description of the factors considered by NSCC when projecting its intraday liquidity needs and determining intraday SLD Obligations; (iii) modify the NSCC Rules for determining the pro rata allocation of SLD Obligations across Supplemental Liquidity Providers when more than one Member is driving NSCC’s liquidity needs; (iv) codify existing obligations for Members to provide reporting and information to NSCC regarding anticipated

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 As part of the proposed rule change, NSCC would adopt a new defined term, “SLD Obligation,” to mean, on any Business Day, the amount of SLD required to be provided by a Supplemental Liquidity Provider as determined by NSCC in accordance with Rule 4A (Supplemental Liquidity Deposits). The proposed changes to defined terms in Rule 4A are discussed in further detail below.

trading and settlement activity that would impact NSCC's liquidity needs; and (v) make other clarifying and cleanup changes to Rule 4A.

First, the proposed rule change would enhance the NSCC Rules to provide Members with a clearer understanding of NSCC's methodology for calculating its intraday liquidity needs and any resulting SLD Obligations. More specifically, the proposed rule change would standardize the way NSCC calculates Intraday Supplemental Liquidity Calls (or intraday SLD Obligations, as proposed herein) by using a more precise netting methodology based on Members' current positions for all of NSCC's intraday SLD calculations, regardless of the point in time within or outside of any options expiration cycle. The proposed netting methodology would more closely align with the netting methodology used for NSCC's start-of-day ("SOD") liquidity need calculations, which uses open NSCC positions, rather than using an estimated netting percentage for the first business day of every options expiry period. NSCC believes the proposed netting changes would result in more accurate estimations of the actual liquidity exposures of each Member and would therefore result in more accurate SLD Obligations for Members.

The proposed rule change is also intended to improve Members' understanding of NSCC's intraday SLD calculation methodology by providing additional details regarding the factors (in addition to netting) that NSCC takes into consideration when projecting liquidity needs and determining SLD Obligations. For example, the proposed rules would describe how NSCC incorporates projected or anticipated trading or settlement activity reported to NSCC by Members, The Options Clearing Corporation ("OCC"),⁵ trade matching platforms, and Index Receipt Agents into its projected Daily Liquidity Need⁶ determinations, as well as consideration of potential offsets from anticipated deliveries from a Member's free inventory at The Depository Trust Company ("DTC"). The proposed rule change would also describe additional adjustments that NSCC may make to its intraday SLD Obligation determinations to ensure coverage of NSCC's liquidity risk tolerance, which is designed to account for potential variations between NSCC's intraday liquidity projections and its final simulated liquidity needs on Settlement Date.

In addition, to the changes related to intraday liquidity needs and SLD Obligations, the proposal would make other enhancements to Rule 4A related to the operation of the SLD Rules. First, the proposed rule change would enhance Rule 4A concerning the pro rata allocation of

⁵ OCC and NSCC are parties to the Amended and Restated Stock Options and Futures Settlement Agreement, which provides for the clearance and settlement of exercises and assignments of options on eligible securities or the maturity of eligible stock futures contracts through NSCC ("OCC E&A Activity"). Each business day, NSCC receives information from OCC regarding projected OCC E&A Activity to inform NSCC's liquidity risk projections ("E&A Projection Files"). See Securities Exchange Act Release No. 99733 (Mar. 14, 2024), 89 FR 19896 (Mar. 20, 2024) (SR-NSCC-2023-007).

⁶ Daily Liquid Need is currently defined as the payment obligations of NSCC as a central counterparty, as calculated and determined by NSCC, for all projected same day, intraday and multiday settlement activity (where appropriate), assuming the default on that day of an Unaffiliated Member/Affiliated Family. See NSCC Rule 4A, Section 2, supra note 3.

SLD Obligations to limit excess liquidity and funding burdens on NSCC's Members. Specifically, NSCC would eliminate the \$2 billion threshold for pro rata allocations and apply a standardized pro rata allocation approach to both SOD and intraday SLD Obligations.

Second, the proposed rule change would codify obligations for Members to (i) provide additional reports and information concerning anticipated trading and settlement activity, as deemed necessary or advisable by NSCC to support NSCC's liquidity projections; (ii) track settlement activities that generate liquidity needs across all trading desks, systems or platforms and manage their liquidity needs; (iii) notify NSCC of anticipated significant changes in such activity; and (iv) identify to NSCC contact persons responsible for responding to NSCC's inquiries concerning settlement activity and liquidity management.

Finally, the proposed rule change would make organizational and drafting improvements to Rule 4A to more clearly and concisely describe NSCC's methodology and processes for determining SLD Obligations on an SOD and intraday basis, modify the process for returning excess SLD amounts to Members, and make other clarifying, organizational and cleanup changes to Rule 4A.

Collectively, the proposed rule changes set forth in this proposal reflect NSCC's ongoing efforts to enhance its ability to monitor and assess its liquidity needs. By describing the various factors NSCC considers when projecting liquidity needs, the proposed changes would support NSCC's ability to collect sufficient liquidity resources to effect settlement of its payment obligations in the event of a Member default as required by Rule 17ad-22(e)(7) under the Act.⁷ The proposed rule change would also provide additional details in the NSCC Rules for Members and the public to improve their understanding of NSCC's SLD methodology and better anticipate Members' obligations related to liquidity risk management.

NSCC believes the proposed changes would result in more accurate projections of NSCC's actual liquidity needs on an intraday basis. NSCC notes that, with respect to the proposed rule changes related to the pro rata allocation of SLD Obligations, the total SLD collected would be equal to the amount of the largest daily liquidity shortfall, pro-rated among those Members that observed a liquidity shortfall. As a result, NSCC would continue to collect qualifying liquid resources⁸ sufficient to meet its Cover 1 requirement while reducing the

⁷ Rule 17ad-22(e)(7) under the Act requires, among other things, that NSCC maintains sufficient liquid resources at the minimum in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment obligation for the covered clearing agency in extreme plausible market conditions (generally referred to as a "Cover 1" standard or requirement). See 17 CFR 240.17ad-22(e)(7).

⁸ Qualifying liquid resources is defined in Rule 17ad-22(a) under the Act. See 17 CFR 240.17ad-22(a). "Qualifying Liquid Resources," for purposes of the NSCC Rules, is defined in Section 2 of Rule 4A. See NSCC Rule 4A, Section 2, supra note 3. NSCC's

resource allocation and funding burdens on Members associated with collecting resources in excess of this Cover 1 amount, which would result in a more efficient and effective SLD process.

NSCC has discussed this proposal with Members, who generally expressed support for the proposed changes. NSCC believes the proposal would benefit Members because it would (i) improve the accuracy of NSCC's SLD calculations by, for example, allowing NSCC to monitor and evaluate its intraday liquidity needs using a standardized process and more accurate netting methodology; (ii) enhance the overall accuracy of NSCC's liquidity need projections and improve Member understanding the methodology and processes associated therewith; (iii) minimize the burdens of potentially over-collecting resources from Members to address NSCC's liquidity needs, particularly through the use of enhanced netting calculations and the pro rata distribution of NSCC's largest liquidity needs; and (iv) provide for more standardized, clear and transparent rules for NSCC's SLD processes.

The proposed rule change is discussed in detail below.

Background

Under NSCC Rule 4A, NSCC collects additional cash deposits, both at the SOD and on an intraday basis, in the form of SLD to the Clearing Fund to cover the liquidity exposures presented by Members (whether individually or as part of an affiliated Member family) whose activity generates liquidity needs in excess of NSCC's then available qualifying liquid resources. SLD is typically collected during times of increased trading activity, particularly those that arise around Options Expiration Activity Periods.⁹

Each Business Day, NSCC determines the peak liquidity need of each Member over a 24-month lookback period, and the 30 (or fewer) Members/Affiliated Families with the largest peak liquidity need during the lookback period may be designated "Supplemental Liquidity Providers"

qualifying liquid resources include, for example: (1) the cash in the Clearing Fund; (2) the cash that would be obtained from NSCC's committed 364-day credit facility with a consortium of lenders; (3) cash proceeds from NSCC's commercial paper and extendable note program; and (4) cash proceeds from NSCC's Senior Unsecured Notes. See NSCC Disclosure Framework for Covered Clearing Agencies and Financial Market Infrastructures, December 2025, p. 65 available at www.dtcc.com/-/media/Files/Downloads/legal/policy-and-compliance/nscc-disclosure-framework-2025-q4.pdf. NSCC and its affiliate clearing agencies (DTC and Fixed Income Clearing Corporation) have also adopted a Clearing Agency Liquidity Risk Management Framework that sets forth, among other things, the qualifying liquid resources of NSCC. See Securities Exchange Act Release No. 82377 (Dec. 21, 2017), 82 FR 61617 (Dec. 28, 2017) (SR-DTC-2017-004; SR-FICC-2017-008; SR-NSCC-2017-005).

⁹ An Options Expiration Activity Period is generally the period beginning at the opening of business on the monthly expiration date and ending at the close of business on the Settlement Date following such date. See NSCC Rule 4A, Section 2, supra note 3.

for that Business Day.¹⁰ Each Supplemental Liquidity Provider may then have a Supplemental Liquidity Obligation to NSCC based on the calculation set forth in Rule 4A, with such obligation being equal to the Daily Liquidity Need of the Supplemental Liquidity Provider calculated for that Business Day minus the Qualifying Liquid Resources available to NSCC on such date.¹¹ This Supplemental Liquidity Obligation is collected at the start of each Business Day, as applicable. If two or more Supplemental Liquidity Providers have a Supplemental Liquidity Obligation of more than \$2 billion, NSCC may allocate the Supplemental Liquidity Obligation of each Supplemental Liquidity Provider as its pro rata share of the largest Supplemental Liquidity Obligation calculated for that Business Day.¹²

In addition to SOD Supplemental Liquidity Obligations, NSCC may also issue Intraday Supplemental Liquidity Calls to Supplemental Liquidity Providers during Options Expiration Activity Periods. NSCC issues Intraday Supplemental Liquidity Calls calculated and collected, when applicable, on the first Business Day (typically a Friday) of an options expiry period.¹³ A Supplemental Liquidity Provider's Intraday Supplemental Liquidity Call is equal to the difference between NSCC's qualifying liquid resources and NSCC's Daily Liquidity Need based on the Supplemental Liquidity Provider's settlement activity at the start of the Business Day, adjusted to account for both the Supplemental Liquidity Provider's increased settlement activity submitted to NSCC over the course of the day and its projected settlement activity with respect to the monthly expiration of stock options.¹⁴ NSCC adjusts this recalculated Daily Liquidity Need using an estimated netting percentage that is based on that Supplemental Liquidity Provider's average percentage of netting observed over the prior 24 months.

On the remaining days of any Options Expiration Activity Period, NSCC may issue an intraday call on Supplemental Liquidity Providers whose increase in activity levels caused (or was the primary cause of) an observed increase in NSCC's Daily Liquidity Need. These discretionary Intraday Supplemental Liquidity Calls are issued in an amount equal to the difference between (i) the Daily Liquidity Need associated with the Supplemental Liquidity Provider on such Business Day, adjusted to account for such increased activity levels, and (ii) the sum of NSCC's Qualifying Liquid Resources.¹⁵

¹⁰ See NSCC Rule 4A, Section 3, supra note 3.

¹¹ See NSCC Rule 4A, Section 4.a., supra note 3.

¹² See NSCC Rule 4A, Section 4.b., supra note 3.

¹³ See NSCC Rule 4A, Section 7.a., supra note 3.

¹⁴ In this case, the recalculation is based on the data NSCC receives from OCC later in the day on Thursday.

¹⁵ See NSCC Rule 4A, Section 7.b., supra note 3.

Proposed Changes to the NSCC Rules

NSCC proposes to amend Rule 4A to make the following changes:

- Make organizational and drafting improvements to Rule 4A to more clearly and concisely describe NSCC's methodology and processes for determining SLD Obligations on an SOD and intraday basis;
- Standardize the netting methodology, calculations and processes used by NSCC to determine Daily Liquidity Needs and intraday SLD Obligations, regardless of the point in time within or outside of any Options Expiration Activity Period;
- Provide additional details regarding the factors considered by NSCC when projecting liquidity needs and determining SLD Obligations to improve Members' understanding of NSCC's SLD calculations;
- Codify and clarify existing obligations for Members to provide reporting and information to NSCC regarding anticipated trading and settlement activity that would impact NSCC's liquidity needs;
- Modify the NSCC Rules for determining the pro rata allocation of SOD and intraday SLD Obligations when more than one Member is driving NSCC's liquidity needs;
- Modify the process for returning excess SLD amounts to Members; and
- Make other clarifying, organizational and cleanup changes to Rule 4A.

The proposed changes are discussed in further detail below.

Proposed Organizational and Drafting Changes to SOD and Intraday SLD Rules

NSCC proposes to reorganize, consolidate and streamline the NSCC Rules describing how NSCC determines SLD Obligations to improve Members' understanding of NSCC's SLD methodology and processes and their obligations thereunder. Under the proposed rule change, NSCC would modify Section 4 of Rule 4A, which describes the formula for calculating SLD Obligations, to more generally describe how NSCC determines SLD Obligations on both an SOD and intraday basis. As proposed, Section 4.a. of Rule 4A would continue to describe the general formula used by NSCC to calculate SLD Obligations with minor drafting changes to simplify the rule text. In addition, Section 4.b. of Rule 4A would be revised to add new rule text to clarify that SLD Obligations are determined based on (i) observed Daily Liquidity Needs, to be collected on an SOD basis; and (ii) projected Daily Liquidity Needs, to be collected on an intraday basis. NSCC would also relocate the existing rules in Section 4.b. of Rule 4A concerning the allocation of SLD Obligations among Members, as described further below.

Additionally, NSCC proposes to adopt new Section 4.c. of Rule 4A to describe adjustments that NSCC may make when determining SLD Obligations to ensure sufficient coverage of its liquidity risk tolerance. This proposed change is discussed in further detail below.

NSCC believes that the proposed changes to Section 4 of Rule 4A would improve a Member's understanding of the SLD rules by providing a clear and concise explanation of how NSCC calculates its Daily Liquidity Needs for both SOD and intraday purposes. NSCC notes that it does not propose to change the substance of the Daily Liquidity Need formula currently contained in Section 4.a. of Rule 4A (i.e., that Supplemental Liquidity Obligations shall be calculated as the difference between the Daily Liquidity Need of the Supplemental Liquidity Provider calculated for that Business Day and the sum of all Qualifying Liquid Resources available to NSCC on that Business Day assuming stressed market conditions).

Proposed Changes to Standardize NSCC's Intraday SLD Methodology

NSCC proposes to enhance the NSCC Rules by standardizing the methodology and processes it uses to determine its projected Daily Liquidity Needs and intraday SLD Obligations, regardless of the point in time within or outside of any Options Expiration Activity Period. As discussed above, Section 7.a. of Rule 4A currently provides that for Intraday Supplemental Liquidity Calls on the first Business Day of an options expiry period, NSCC calculates a projection of its Daily Liquidity Need based on activity levels or projected settlement activity with respect to monthly expiration of stock options and adjusts the recalculated Daily Liquidity Needs using an estimated netting percentage that is based on that Supplemental Liquidity Provider's average percentage of netting observed over the prior 24 months. Section 7.b. of Rule 4A, however, does not specify netting assumptions for days other than the first Business Day of an options expiry period and allows for other netting assumptions, such as current-open positions.

The proposed rule change would create one standard methodology and process, regardless of timing within or outside of the options expiry period, for calculating intraday SLD Obligations. Specifically, NSCC would eliminate the concept of the Options Expiration Activity Period from the NSCC Rules, discontinue its use of the estimated netting percentage based on a 24-month lookback period, and adopt one standard netting methodology based on current open positions regardless of the timing of any options expiry period, similar to SOD liquidity need calculations. To effectuate this change, NSCC would delete Section 7, entitled Determination of Intraday Supplemental Liquidity Calls, and the definition of Options Expiration Activity Period from Section 2 of Rule 4A. NSCC would replace these deleted items with new rules in a new Section 5 describing NSCC's methodology and process for projecting its Daily Liquidity Needs for purposes of determining intraday SLD Obligations, as described below.

The proposed standardized netting approach would more closely reflect the actual netting against open NSCC positions that is done during the overnight process used for SOD liquidity need calculations, which NSCC believes is a more accurate representation of the actual liquidity exposures of each Member.

Proposed Changes Related to Liquidity Need Projections for Intraday SLD

Under its existing authority in Section 7 of Rule 4A, NSCC may adjust its Daily Liquidity Needs for the purpose of determining Intraday Supplemental Liquidity Calls to account for increased activity levels and projected settlement activity of its Members. Accordingly, NSCC has continued to improve its process for projecting settlement activity to more accurately

project its associated Daily Liquidity Needs. This includes refining the factors that NSCC considers and incorporates into its Daily Liquidity Need projections. NSCC proposes to adopt new Section 5 of Rule 4A to provide additional details regarding the various factors NSCC may take into consideration when projecting its Daily Liquidity Needs for intraday SLD Obligations.

Proposed Section 5 would provide that, when calculating and determining projected Daily Liquidity Needs to determine intraday SLD Obligations, NSCC may take into consideration factors including, but not limited to: (i) a Member's projected or anticipated trading or settlement activity as communicated by the Member, The Options Clearing Corporation, a Qualified Clearing Agency or Registered Clearing Agency offering trade matching services, an Index Receipt Agent, or any other person authorized to submit transaction information for such Member; (ii) projected netting activity using open positions for that Member; and (iii) anticipated deliveries from a Member's free inventory at the Member's Designated Depository into the next CNS¹⁶ night cycle, after consideration of applicable long allocation projection offsets and cross-account netting.

The consideration of these factors is discussed in additional detail below.

Consideration of Anticipated Trading and Settlement Activity

Certain trading activity cleared by NSCC is not finalized and submitted to NSCC for clearing until later in the trading day and therefore is not typically received in time to be included in NSCC's intraday SLD calculation and collection process (which is generally completed prior to the close of the Federal Reserve's Fedwire Funds Service at 7:00 p.m. Eastern Time¹⁷). For example, the NSCC deadline for Index Receipt Agents to submit exchange-traded fund ("ETF") creation/redemption instructions in the primary cycle is 8:45 p.m.,¹⁸ the affirmation deadline for

¹⁶ CNS is NSCC's core netting, allotting, and fail-control engine for securities transactions. See NSCC Rule 11 (CNS System) and Procedure VII (CNS Accounting Operation), supra note 3.

¹⁷ All times discussed herein are Eastern Time unless otherwise indicated.

¹⁸ ETFs (referred to as "index receipts" in the NSCC Rules) are marketable securities that track stock indices, commodities, bonds, or baskets of assets. Shares of ETFs are "created" and "redeemed" in the primary market and are traded on listed exchanges in the secondary market. NSCC facilitates clearing and settlement of the creation and redemption of ETF shares in the primary market as well as clearing of ETF trades in the secondary market. The participants in the ETF primary market typically consist of the issuers of ETFs ("ETF Sponsors"), custodian banks ("ETF Agents," also referred to as "Index Receipt Agents" in the NSCC Rules, see Rule 1 (Definitions and Descriptions), supra note 3), and brokers/dealers that have agreements directly with ETF Sponsors to allow the brokers/dealers to place orders for the creation and redemption of ETF shares ("Authorized Participants" or "APs"). Both the ETF Agents and APs are Members of NSCC. APs create and redeem ETF shares from the ETF Sponsors in blocks called "creation units." An AP that purchases a creation unit of ETF shares delivers a "basket" of securities and other assets to the ETF Agent, and then receives the creation unit of ETF

prime broker trades submitting by trade matching platforms (such as DTCC ITP Matching (US) LLC or “ITPM”)¹⁹ is currently 9:00 p.m., and final OCC E&A Activity may be submitted to NSCC as late as 1:00 a.m. As a result, NSCC must incorporate projections of such activity into its Daily Liquidity Need calculations for purposes of determining intraday SLD Obligations.

Currently, in order to project its Daily Liquidity Needs, NSCC reaches out to those Members who are typically the top liquidity users (and also subject to SLD) during periods of elevated activity (e.g., the week leading up to standard option expirations) to solicit information concerning their projected OCC or ETF activity. With respect to OCC activity, NSCC receives E&A Projection Files from OCC regarding projected OCC E&A Activity for each activity date to inform NSCC’s liquidity risk projections.²⁰ For ETF activity, this also includes outreach to Index Receipt Agents concerning their anticipated ETF activity, and NSCC has worked with Index Receipt Agents to develop an automated reporting process through which Index Receipt Agents can provide daily projected ETF activity reporting. Additionally, NSCC maintains information sharing arrangements with trade matching platforms concerning their anticipated clearance and settlement activity. All of this information is used by NSCC’s Liquidity Risk Management team to inform the projection of NSCC’s Daily Liquidity Need calculations for purposes of determining intraday SLD Obligations.

The proposed rule change would provide additional clarity regarding NSCC’s process for projecting Daily Liquidity Needs by describing in the NSCC Rules the various factors and information sources used to project or anticipate trading or settlement activity. This includes information communicated to NSCC by sources such as Members, OCC, trade matching platforms (such as ITPM), and Index Receipt Agents.

Proposed Section 5 would also provide that NSCC shall assume the completeness and accuracy of all information concerning a Member’s projected or anticipated trading or settlement activity that is provided to NSCC by the Member, OCC, a Qualified Clearing Agency or Registered Clearing Agency offering trade matching services, an Index Receipt Agent, or any other person authorized to submit transaction information for such Member, and that NSCC may directly incorporate such information into its Daily Liquidity Need calculations via automated processes. The proposed rule change would provide NSCC with explicit authority to

shares in return for those assets. The redemption process is the reverse of the creation process: the AP redeems a creation unit of ETF shares for a basket of securities and other assets. See NSCC Rule 7 (Comparison and Trade Recording Operation (Including Special Representative/Index Receipt Agent)) and Procedure II. (Trade Comparison and Recording Service), Section F. concerning the ETF creation/redemption process, supra note 3.

¹⁹ ITPM, which is a wholly owned subsidiary of DTCC ITP LLC, provides central trade matching and electronic trade confirmation services subject to the conditions of an exemptive order issued by the Commission. See Securities Exchange Act Release No. 44188 (Apr. 17, 2001); 66 FR 20494 (Apr. 23, 2001) (600-32).

²⁰ See supra note 5.

automatically incorporate such data directly into its liquidity need calculations via automated processes rather than relying on manual processes and confirmations with Members.

Consideration of Projected Netting Activity

The newly proposed Section 5 of Rule 4A would also reflect that NSCC would utilize a standard netting methodology based on current open positions for all intraday liquidity need projections, rather than using an estimated netting percentage based on the 24-month lookback period for the first Business Day of every options expiry period, as discussed above.

Consideration of Anticipated Deliveries

The proposed rule change would describe NSCC's ability to consider anticipated deliveries from a Member's free inventory at the Member's Designated Depository (i.e., DTC) into the next CNS night cycle as potential offsets to NSCC's projected liquidity needs. CNS is NSCC's automated accounting and securities settlement system that centralizes and nets the settlement of compared and recorded securities transactions and maintains an orderly flow of security and money balances. CNS relies on an interface with NSCC's affiliate clearing agency, DTC, for the book-entry movement of securities. CNS short positions are compared against each Member's DTC accounts to determine the availability of securities for delivery. If securities are available, they are automatically transferred from the Member's account at DTC to NSCC's account at DTC to cover the Member's short obligations to CNS.

NSCC calculates its Daily Liquidity Need as the payment obligations of NSCC as central counterparty for all observed or projected same day, intraday and multiday settlement activity (where appropriate), assuming the default on that day of an Unaffiliated Member or Affiliated Family. This payment obligation is the net liquidity need after the application of all permitted long allocations, cross-account netting, and other applicable offsets.

Anticipated deliveries from free inventory at DTC may be used to further offset projected net liquidity needs after consideration of long allocation projection offsets and cross-account netting.²¹ NSCC works with potential Supplemental Liquidity Providers to confirm their expected inventory value and obtain appropriate assurance that such Members manage and facilitate delivery of those securities into the CNS night cycle, which begins at approximately 11:30 PM each Business Day.

Proposed Section 5 would codify details concerning NSCC's process for incorporating anticipated deliveries from a Member's free inventory into NSCC's Daily Liquidity Need Projections. The proposed rule would provide that, in order for NSCC to appropriately consider anticipated deliveries from a Member's free inventory into its Daily Liquidity Need projections, the Member shall identify to NSCC in writing, and in such form, time and manner as required by NSCC, an aggregate value of its existing free inventory that is recorded in the subaccounts of the Member with delivery obligations into the CNS night cycle scheduled to run on that Business

²¹ NSCC would use the actual DTC deliveries from the night cycle when determining net liquidity needs for its SOD liquidity reporting and determining whether additional SOD SLD Obligations are needed.

Day. The proposed rule would also stipulate that any Member identifying such anticipated deliveries for consideration in NSCC's Daily Liquidity Need projections represents to NSCC that (i) it shall make best efforts to manage such inventory such that it continues to be recorded within a specified subaccount of the Member through the start of the immediate next CNS night cycle; and (ii) it shall not take any action that would prohibit the delivery of such inventory into the immediate next CNS night cycle. The proposed rule would also clarify that NSCC may consider all or part of the identified inventory in its Daily Liquidity Need projections.

The proposed rule change would provide additional clarity and transparency in NSCC's rules regarding the inventory projection process and codify the associated reporting, representations and assurances directly into the NSCC Rules. As noted above, a Member's available inventory is automatically transferred from the Member's account at DTC to NSCC's account at DTC to cover the Member's short obligations to CNS. NSCC therefore believes that applying inventory offsets when such inventory can be appropriately confirmed by NSCC and the Member and committed for delivery in the night cycle would result in more accurate projections of its Daily Liquidity Needs and resulting intraday SLD Obligations for its Members.

Proposed Changes Related to Consideration of NSCC's Liquidity Risk Tolerance

As noted above, NSCC also proposes to adopt Section 4.c. of Rule 4A to describe how NSCC may adjust SLD Obligations to account for potential variations in NSCC's actual liquidity needs to facilitate the maintenance of sufficient liquidity resource coverage within NSCC's liquidity risk tolerance. Under the DTCC Corporate Risk Management Policy, NSCC maintains risk tolerance statements for certain core risks that (i) define the risk in question; (ii) describe the associated risk appetite and related thresholds; (iii) set forth supporting key risk indicators; and (iv) identify the escalation requirements when breaches occur. Risk tolerances are used to establish and communicate thresholds for risk, including the quantity and type of risk, that NSCC is willing to accept in pursuit of its business objectives. Pursuant to the DTCC Corporate Risk Management Policy, NSCC has established liquidity risk tolerances that include metrics and thresholds concerning its Cover 1 liquidity sufficiency. Currently, NSCC's liquidity risk tolerance targets liquidity resource levels sufficient to cover 110 percent of NSCC's actual liquidity needs. These liquidity risk tolerance targets allow NSCC to account for potential variations between NSCC's intraday liquidity projections, which are based on projections and estimates available to NSCC prior to Settlement Date, and NSCC's observed final simulated liquidity needs calculated on Settlement Date. Under the proposed rule change, NSCC would assess this liquidity risk tolerance threshold on at least an annual basis and will communicate any changes to such thresholds in advance to potential Supplemental Liquidity Providers.

Proposed Changes to Allocation of Supplemental Liquidity Obligations

As discussed above, Section 4.b. of Rule 4A currently provides that if two or more Supplemental Liquidity Providers have a Supplemental Liquidity Obligation of more than \$2 billion, NSCC may determine the Supplemental Liquidity Obligation of each Supplemental Liquidity Provider as its pro rata share of the largest Supplemental Liquidity Obligation calculated for that Business Day. This rule provides NSCC with the option to determine, if it is appropriate, to collect the largest SLD calculated for that Business Day divided pro rata among the Supplemental Liquidity Providers rather than collect each of the individual Supplemental

Liquidity Obligations of those firms. Collecting the largest SLD on a pro rata basis enables NSCC to collect sufficient funds to meet its Cover 1 regulatory requirement²² in circumstances when the aggregate Supplemental Liquidity Obligations on a particular day would significantly exceed that amount, thereby reducing liquidity and funding burdens on its Members.²³

NSCC proposes to relocate its pro rata allocation rules into Section 6 of Rule 4A²⁴ and clarify that it applies to all SLD Obligations (both SOD and intraday). NSCC also proposes to eliminate the \$2 billion threshold for pro rata allocations. Specifically, Section 6 of Rule 4A would state that, if two or more Supplemental Liquidity Providers present a Daily Liquidity Need resulting in an SLD Obligation, NSCC would determine the SLD Obligation amount of each Supplemental Liquidity Provider as its pro rata share of the largest SLD Obligation calculated for the Business Day (whether start-of-day or intraday); provided that NSCC may collect the total amount of each Supplemental Liquidity Provider's individual SLD Obligations if NSCC determines that such action is necessary for the protection of NSCC, participants, investors or creditors.

NSCC intends to use pro rata allocation as the primary/default method for collecting SLD Obligations; however, NSCC would retain its existing discretion in the NSCC Rules to collect the total amount of a Member's SLD Obligation in exceptional circumstances (i.e., where the collection of the total obligation may be necessary for the protection of NSCC, participants, investors, or creditors). This may occur, for example, if NSCC has a reasonable basis to believe that one of the Supplemental Liquidity Providers may be unable to satisfy its pro rata portion of the SLD Obligation to NSCC. Any determination to collect each Member's total obligation would be made pursuant to NSCC's Liquidity Risk Management Procedures, which describe the process and approval authority required to make SLD calls based on the amount of any such call in relation to NSCC's Qualifying Liquid Resources (i.e., whether the amount of an SLD call would exceed certain percentage thresholds of Qualifying Liquid Resources).²⁵

NSCC believes that providing one standardized approach in the NSCC Rules for allocating SOD and intraday SLD Obligations would provide greater clarity, transparency, and consistency for its Members. NSCC also believes that removing the \$2 billion threshold established previously by NSCC would help to further reduce unnecessary liquidity and funding burdens on its Members while still allowing NSCC to collect sufficient funds to meet its

²² See supra note 7.

²³ See Securities Exchange Act Release No. 92213 (June 21, 2021), 86 FR 33414, 33417 - 33419 (June 24, 2021) (SR-NSCC-2021-002).

²⁴ The existing rules in Section 6 of Rule 4A concerning the notification of SLD Obligations would be relocated to Section 7 of Rule 4A, with certain modifications, as discussed below.

²⁵ NSCC notes that it does not intend to collect an amount between the Member's total obligation and a pro rata share of the largest obligation. NSCC would collect either the pro rata share of the largest obligation or the Member's total individual SLD Obligation.

regulatory requirements in circumstances when the aggregate SLD Obligations of all Supplemental Liquidity Providers on a particular day would exceed that amount.

Proposed Changes to Return of SLD Obligations

NSCC proposes to clarify its rules regarding the return of SLD in Section 9 of Rule 4A. Section 9 of Rule 4A currently provides that a Supplemental Liquidity Provider shall be entitled to the return of its SLD, payable on the Business Day following the Business Day on which the SLD was made, unless otherwise notified by NSCC.²⁶ Pursuant to this rule, NSCC may notify a Member that it has elected to retain all or part of its SLD if a liquidity need remains on the day(s) after the deposit was made. NSCC proposes to revise this rule to more clearly reflect NSCC's right to retain SLD, as needed, and to provide Members with the right to request the return of any excess SLD (rather than a default assumption regarding the automatic return of SLD).

NSCC proposes to retitle this section of Rule 4A to "Return of Supplemental Liquidity Deposits" and restate this Rule to provide that, upon the request of a Member, NSCC will return its SLD, provided that NSCC may retain all or any amount of such SLD NSCC deems necessary to cover observed or projected liquidity obligations of such Member to NSCC, assuming the default on that day of such Member or Affiliated Family. NSCC believes the proposed rule change would more clearly reflect NSCC's right to retain all or part of a Member's SLD if a liquidity need remains beyond the initial day of deposit. NSCC also believes that making Members responsible for requesting the return of excess SLD will encourage Members to more actively monitor and manage their liquidity obligations at NSCC.

Proposed Changes Concerning Member Reporting and Notification Requirements

NSCC also proposes to adopt new Section 14 of Rule 4A, titled "Member Reporting and Notification Requirements," to provide additional clarity regarding expectations for Members to inform NSCC of anticipated trading and settlement activity that is not yet reflected in NSCC's clearing or risk systems. The proposed rule would require that each Member manage its liquidity needs to NSCC, specifically by tracking its settlement activities that generate liquidity needs across all trading desks, systems, and platforms and notifying NSCC of anticipated significant changes in such activity. The proposed rule would further require that each Member identify contact persons responsible for responding to NSCC's inquiries concerning settlement activity and liquidity management and confirm or update such contacts on at least an annual basis.

The proposed rule would also codify certain obligations for Members to provide reporting and information to NSCC concerning liquidity risk management. Pursuant to Section 2.A. of NSCC Rule 2B (Ongoing Membership Requirements and Monitoring), NSCC currently has the authority to require the submission of additional reports and other information as it may deem necessary or advisable, in the form and to the persons or departments as specified NSCC.²⁷ Under Section 2 of Rule 15 (Assurances of Financial Responsibility and Operational Capability), NSCC may also require Members to furnish such adequate assurances of its financial

²⁶ See NSCC Rule 4A, Section 9, supra note 3.

²⁷ See NSCC Rule 2B, Section 2.A., supra note 3.

responsibility and operational capability as NSCC may at any time or from time to time deem necessary or advisable in order to protect NSCC, its participants, creditors or investors, to safeguard securities and funds in the custody or control of NSCC and for which NSCC is responsible, or to promote the prompt and accurate clearance, settlement and processing of securities transactions.²⁸ Pursuant to authority under these NSCC Rules, NSCC periodically requires Members to provide information and reporting on, for example, anticipated trading and settlement activity to inform NSCC's management of liquidity risk. NSCC now proposes to codify specific obligations for Members to provide regular reporting on anticipated trading and settlement activity. Specifically, the proposed rule change would state that NSCC may require Members to provide additional reports or information concerning their anticipated trading and settlement activity as NSCC may deem necessary or advisable to more accurately project its Daily Liquidity Needs. Furthermore, the proposed rule would require Members to provide such requested reports and information in the time, form and manner specified by NSCC and completely and accurately provide all requested information. With respect to Index Receipt Agents, the proposed rule change would further codify a requirement that such reporting shall include daily automated reporting of anticipated creation and redemption activity between such Index Receipt Agent and Authorized Participants, requiring all Index Receipt Agents to provide daily reporting through the automated reporting process discussed above.

NSCC believes that the provision of information concerning anticipated trading and settlement activity is necessary to accurately and appropriately project its Daily Liquidity Needs and intraday SLD Obligations under NSCC Rule 4A and meets its liquidity resource obligations under Rule 17ad-22(e)(7) under the Act.²⁹ Accordingly, NSCC proposes to explicitly codify these obligations with respect to liquidity risk reporting to provide additional clarity and transparency to Members and the public.

Other Clarifying Changes

NSCC proposes to make other clarifying and cleanup changes to Rule 4A. NSCC would revise Rule 4A to relocate the definitions of the terms Supplemental Liquidity Deposit and Supplemental Liquidity Provider to the definitions section in Section 2 to consolidate the majority of defined terms in Rule 4A and improve the clarity and readability of the NSCC Rules. NSCC would also add a new defined term, "SLD Obligation," to mean, on any Business Day, the amount of SLD required to be provided by a Supplemental Liquidity Provider, on a start-of-day or intraday basis, as determined by NSCC in accordance with Rule 4A. NSCC would also update the definition of "Supplemental Liquidity Deposit" (or "SLD") to mean a deposit made to the Clearing Fund by a Supplemental Liquidity Provider in an amount equal to its start-of-day or intraday SLD Obligations. In addition, NSCC would eliminate the defined term "Intraday Supplemental Liquidity Call" and instead use the new defined term SLD Obligation to apply to both SOD and intraday SLD obligations, as applicable, to provide for greater consistency across the NSCC Rules.

²⁸ See NSCC Rule 15, Section 2.(a), supra note 3.

²⁹ See 17 CFR 240.17ad-22(e)(7).

Additionally, NSCC would revise the definition of “Daily Liquidity Need” in Section 2 of Rule 4A to mean the payment obligations of NSCC as a central counterparty, as calculated and determined by NSCC, for all observed start-of-day, projected intraday and multiday settlement activity (where appropriate), assuming the default on that day of an Unaffiliated Member or Affiliated Family. The proposed rule change would clarify that NSCC’s liquidity needs are calculated for payment obligations based on “observed start-of-day, projected intraday and multiday settlement activity” (rather than solely “projected” same day, intraday and multiday settlement activity). The proposed rule change would also clarify that such payment obligation is the anticipated net liquidity need after all permitted long allocations, cross-account netting and actual or anticipated deliveries into the CNS night cycle.

NSCC would also revise the definition of “Qualifying Liquid Resources” in Section 2 of Rule 4A to remove a statement that “Qualifying Liquid Resources” would not include Supplemental Liquidity Deposits for purposes of this Rule 4(A).” This statement was intended to reflect the fact that SLD would be returned on the day following the date the deposit was made; however, as noted above, NSCC currently has the discretion to retain SLD if there is an ongoing liquidity need. Supplemental Liquidity Deposits that are currently deposited with NSCC, and which have not been returned, would in fact be included in NSCC’s Qualifying Liquid Resources. NSCC therefore believes that removing this statement would improve the accuracy and clarity of the NSCC Rules.

In addition, NSCC proposes to revise the description of its process for determining Supplemental Liquidity Providers in Section 3 of Rule 4A to streamline the rule and remove an unnecessary reference to “Members of an Affiliated Family,” which NSCC believes is already covered by the description used for “Affiliated Family.” NSCC would also remove the defined terms “Peak Liquidity Need” and “Lookback Period” from Sections 2 and 3 of Rule 4A but would retain the substance of these requirements within the newly revised Section 3 of Rule 4A by more directly stating that the 30 (or fewer) Unaffiliated Members or Affiliated Families with the largest Daily Liquidity Needs over a 24-month lookback period shall be Supplemental Liquidity Providers for that Business Day. The proposed change is meant to improve the drafting and clarity of the NSCC Rules and is not intended to change the manner in which NSCC determines which Members are Supplemental Liquidity Providers.

NSCC also proposes to revise Section 6 of Rule 4A, renumbered as Section 7, to provide additional clarity around the notices provided to Supplemental Liquidity Providers. Specifically, the proposed rule would note that on each Business Day, NSCC shall provide each Supplemental Liquidity Provider with the amount of its start-of-day and intraday SLD Obligation for that Business Day, “where applicable.” The proposed change is intended to clarify that a Member may be deemed a Supplemental Liquidity Provider pursuant to Section 3 of Rule 4A but not necessarily issued an SLD Obligation for that day. The proposed language would clarify that such notices would be provided for both SOD and intraday SLD Obligations. NSCC would also remove a statement in Section 6 of Rule 4A that SLD notices provided to Supplemental Liquidity Providers will specify if the Supplemental Liquidity Obligation was calculated pursuant to Section 4.b. of Rule 4A (i.e., that it was a pro rata allocated amount). NSCC performs outreach to Supplemental Liquidity Providers when issuing SLD Obligations to explain the reasons and drivers for the SLD Obligations but would not necessarily specify in the notice whether such an obligation was determined pursuant to Section 4.b. of Rule 4A. NSCC also

proposes to delete the last sentence of Section 6 of Rule 4A, which requires Supplemental Liquidity Providers to make its SLD to the Clearing Fund within one hour of demand, unless otherwise determined by NSCC, and incorporate the timing requirements for meeting SLD calls generally into newly proposed Section 8 of Rule 4A, as discussed below.

NSCC proposes to consolidate its rules concerning the satisfaction of SOD and intraday Supplemental Liquidity Obligations from Sections 5 and 8 into Section 8 of Rule 4A. As proposed, Section 8 of Rule 4A would provide that Members shall satisfy SLD Obligations by making a Supplemental Liquidity Deposit to NSCC within the time prescribed by NSCC or, in the absence thereof, within one hour of NSCC's issuance of notice of such obligation. The rule would also state that all Supplemental Liquidity Deposits shall be made in cash by wire transfer to an account designated by NSCC.

The newly renumbered/proposed Sections 7 - 9 and existing Section 10 of Rule 4A would be included under a new subsection of Rule 4A titled "Satisfaction and Return of Supplemental Liquidity Deposits."

Additionally, NSCC would update Section 13 of Rule 4A to include additional details concerning the information and reporting made available to Supplemental Liquidity Providers each Business Day. Specifically, NSCC would revise Section 13 of Rule 4A to clarify that, in addition to Daily Liquidity Needs for each Supplemental Liquidity Provider, NSCC also makes available the amount of Qualifying Liquid Resources on deposit for each Business Day.

Finally, NSCC would remove certain general explanatory statements from the introductory paragraph in Section 1 of Rule 4A, which do not describe material aspects of SLD, NSCC's SLD-related operations, or any rights or obligations related to SLD and therefore do not constitute "rules" as defined by Section 19(b)(1) of the Act³⁰ and Rule 19b-4 thereunder.³¹

(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.

³⁰ Section 19(b)(1) of the Act requires a self-regulatory organization ("SRO") such as NSCC to file with the Commission any proposed rule or any proposed change in, addition to, or deletion from the rules of such SRO. See 15 U.S.C. 78s(b)(1). Section 3(a)(27) of the Act defines "rules of a clearing agency" to mean its (1) constitution, (2) articles of incorporation, (3) bylaws, (4) rules, (5) instruments corresponding to the foregoing and (6) such of the "stated policies, practices and interpretations" ("SPPI") as the Commission may determine by rule. See 15 U.S.C. 78c(a)(27). Rule 19b-4(a)(6) under the Act defines the term "SPPI" to include (i) any material aspect of the operation of the facilities of an SRO, or (ii) any statement made generally available to membership of, to all participants in, or to persons having or seeking access to facilities of an SRO that establishes or changes any standard, limit, or guideline. See 17 CFR 240.19b-4(a)(6).

³¹ 17 CFR 240.19b-4.

Specifically, NSCC believes that the proposed changes are consistent with Section 17A(b)(3)(F) of the Act³² and Rule 17ad-22(e)(7) thereunder³³ for the reasons set forth below.

Section 17A(b)(3)(F) of Act³⁴ 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 NSCC Rules for determining intraday SLD Obligations by standardizing the way NSCC calculates such obligations each day (regardless of the point in time within or outside of an options expiry period), which NSCC believes would result in more accurate estimations of the actual liquidity exposures of each Member and the SLD Obligations required to cover such exposures. The proposed rule change would also clearly describe the factors that NSCC may consider when projecting its Daily Liquidity Needs and adjusting SLD Obligations to remain within NSCC's liquidity risk tolerance. Specifically, the proposed rule change would clarify that NSCC may take into consideration factors including, but not limited to: (i) a Member's projected or anticipated trading or settlement activity as communicated to NSCC by the Member, OCC, trade matching platforms, Index Receipt Agents, or any other person authorized to submit transaction information for such Member; (ii) projected netting activity using open positions for that Member; and (iii) anticipated deliveries from a Member's free inventory at DTC into the next CNS night cycle. The proposed rule change would also clarify NSCC's authority to automatically incorporate such data directly into its liquidity need calculations (rather than relying on manual processes and confirmations). In addition, the proposed rule change would describe adjustments that NSCC may make to its intraday SLD Obligations to ensure coverage of NSCC's liquidity risk tolerance, which is designed to account for potential variations between NSCC's intraday liquidity projections and its final simulated liquidity needs on Settlement Date. Furthermore, the proposed rule change would codify existing obligations for Members to provide reporting and information to NSCC regarding anticipated trading and settlement activity that would impact NSCC's liquidity needs. This information is necessary for NSCC to accurately and appropriately project its Daily Liquidity Needs, which in turn informs how NSCC determines SLD Obligations needed to manage the liquidity risks presented by its Members.

In addition, the proposed rule change would remove the \$2 billion threshold for the pro rata allocation of SLD obligations and provide clear and transparent rules concerning the potential allocation of both SOD and intraday SLD Obligations. Collecting the largest SLD on a pro rata basis enables NSCC to collect sufficient funds to meet its Cover 1 regulatory requirements in circumstances when the aggregate Supplemental Liquidity Obligations on a particular day exceeds that amount, thereby limiting liquidity and funding burdens on its Members and reducing the possibility that Members would be unable to fund such amounts.

³² 15 U.S.C. 78q-1(b)(3)(F).

³³ See 17 CFR 240.17ad-22(e)(7).

³⁴ 15 U.S.C. 78q-1(b)(3)(F).

NSCC believes the proposed enhancements to NSCC's netting methodology and pro rata allocation rules would result in more accurate estimations of the actual liquidity exposures of its Members and would therefore result in more accurate and appropriate SLD Obligations for those Members. NSCC also believes that providing additional clarity in the NSCC Rules regarding the various factors considered by NSCC when projecting liquidity needs and determining SLD Obligations would improve understanding of NSCC's intraday SLD processes by NSCC's Members, market participants, and the public. This, in turn, would help Members understand their potential SLD Obligations so they are better equipped and able to satisfy such obligations when due. NSCC uses the SLD it collects to mitigate potential liquidity shortfalls that may arise when 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.³⁵

Rule 17ad-22(e)(7) under the Act requires generally that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity.³⁶ This includes by maintaining sufficient liquid resources at the minimum in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment obligation for the covered clearing agency in extreme plausible market conditions and holding qualifying liquid resources sufficient to meet this "Cover 1" requirement.³⁷

As discussed above, the proposed rule change would enhance the NSCC rules for determining intraday SLD Obligations by standardizing the way it calculates such obligations each day and providing additional details regarding the factors that NSCC may consider when projecting and adjusting its Daily Liquidity Needs. This includes, for example, a Member's projected or anticipated trading or settlement activity as communicated to NSCC by various sources, projected netting activity using open positions for that Member, and anticipated deliveries from a Member's free inventory at DTC into the next CNS night cycle. In addition, the proposed rule change would describe adjustments that NSCC may make to its intraday SLD Obligations to ensure coverage of NSCC's liquidity risk tolerance, which is designed to account for potential variations between NSCC's intraday liquidity projections and its final observed simulated liquidity needs on Settlement Date. Furthermore, the proposed rule change would

³⁵ Id.

³⁶ See 17 CFR 240.17ad-22(e)(7).

³⁷ See 17 CFR 240.17ad-22(e)(7)(i) and (ii).

codify existing obligations for Members to provide reporting and information to NSCC regarding anticipated trading and settlement activity that would impact NSCC's liquidity needs. This information is necessary for NSCC to accurately and appropriately project its Daily Liquidity Needs, which in turn informs SLD Obligations needed to manage the liquidity risks presented by its Members. NSCC believes the proposed changes are reasonably designed to facilitate the collection of sufficient liquid resources to cover NSCC's liquidity exposures and complete end-of-day settlement in the event of the default of the Member that would generate the largest aggregate payment obligations for NSCC.

In addition, the proposed rule change would remove the \$2 billion threshold for the pro rata allocation of SLD obligations and provide clear and transparent rules concerning the potential allocation of both SOD and intraday SLD Obligations. Collecting the largest SLD on a pro rata basis enables NSCC to collect sufficient funds to meet its Cover 1 regulatory requirements in circumstances when the aggregate SLD Obligations on a particular day exceeds that amount, thereby limiting liquidity and funding burdens on its Members and reducing the possibility that Members would be unable to fund such amounts.

NSCC would also make changes throughout Rule 4A to improve the accuracy and clarity of the descriptions of key aspects of its liquidity risk management processes and its Members' responsibilities thereunder so that Members are better able to anticipate and comply with such requirements.

For the foregoing reasons, NSCC believes the proposed rule change is reasonably designed to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity, and by maintaining sufficient qualifying liquid resources to effect the settlement of its payment obligations under a Cover 1 standard in accordance with the requirements of Rules 17ad-22(e)(7)(i) and (ii) under the Act.³⁸

For the reasons set forth above, NSCC believes the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act³⁹ and Rule 17ad-22(e)(7) thereunder.⁴⁰

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

Section 17A(b)(3)(I) of Act⁴¹ 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 intended to clarify and enhance

³⁸ Id.

³⁹ 15 U.S.C. 78q-1(b)(3)(F).

⁴⁰ See 17 CFR 240.17ad-22(e)(7).

⁴¹ 15 U.S.C. 78q-1(b)(3)(I).

the NSCC Rules for determining SLD requirements for its Supplemental Liquidity Providers; however, it would not change the NSCC Rules for selecting Supplemental Liquidity Providers on any given business day. As a result, NSCC does not expect the proposed rule change to impact the number of Members that would be designated Supplemental Liquidity Providers or the number of Members subject to SLD requirements. In addition, the proposed rule change would remove the threshold, and standardize the processes, for allocating SLD Obligations across Members on a pro rata basis, which should generally result in lower overall SLD Obligations for potential Supplemental Liquidity Providers, reducing unnecessary liquidity and funding burdens on NSCC's Members. This rule change would apply equally, and on a pro rata basis, to all Members determined to be Supplemental Liquidity Providers. NSCC therefore believes these proposed changes would not impose any burden on competition.

The proposed rule change would also allow NSCC to use a more accurate estimate of potential netting activity, regardless of the point in time within or outside of any options expiry period, to determine its intraday SLD Obligations. In addition, the proposal would describe the various factors that NSCC may consider when projecting its intraday liquidity needs and how NSCC may consider its liquidity risk tolerance when determining the size of intraday SLD Obligations. While the proposed rule change could result in either increases or decreases to SLD Obligations on a given date for a given Member, the proposed changes are intended to result in more accurate estimations of the actual liquidity exposures of each Member and would therefore result in more accurate SLD Obligations for Members. The proposed changes are designed to enhance NSCC's ability to effectively measure, monitor, and manage its liquidity risk, specifically by maintaining sufficient qualifying liquid resources to effect the settlement of its payment obligations in compliance with its Cover 1 liquidity requirement⁴² and thereby promote the prompt and accurate clearance and settlement of securities transactions in furtherance of Section 17A(b)(3)(F) of the Act.⁴³ Accordingly, NSCC believes that any potential increases in SLD Obligations would be necessary and appropriate in furtherance of the purposes of the Act.

Finally, the proposed rule change would codify existing obligations for Members to provide reporting and information to NSCC regarding anticipated trading and settlement activity that would impact NSCC's liquidity needs. This information is necessary for NSCC to accurately and appropriately project its Daily Liquidity Needs for intraday SLD purposes and to collect sufficient qualifying liquid resources to meet its Cover 1 regulatory obligation, as required by Rule 17ad-22(e)(7) under the Act.⁴⁴

For the foregoing reasons, 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.

⁴² See supra note 7.

⁴³ 15 U.S.C. 78q-1(b)(3)(F).

⁴⁴ See 17 CFR 240.17ad-22(e)(7).

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

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

Persons submitting 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/rules-regulations/how-submit-comment. 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.

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 Act⁴⁵ 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.

⁴⁵ 15 U.S.C. 78s(b)(2).

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 – Confidential Supporting Information, Including NSCC’s Responses to Requests for Additional Information Issued on April 16, 2024, and July 18, 2024, with Respect to an Earlier Version of the Proposal. ***Omitted and filed separately with the Commission. Confidential treatment of this Exhibit 3 is requested pursuant to 17 CFR 240.24b-2.***

Exhibit 4 – Not applicable.

Exhibit 5 – Proposed changes to the NSCC Rules.

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[_____]; File No. SR-NSCC-2026-009)

[DATE]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change to Enhance the Supplemental Liquidity Deposit Rules, Methodology and Processes

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on June __, 2026, 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 enhance NSCC’s Supplemental Liquidity Deposit (“SLD”) rules, methodology and processes (“SLD Rules”).³

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

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.

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

The proposed rule change would (i) standardize the netting methodology and processes used by NSCC to project its intraday liquidity needs and determine intraday SLD Obligations;⁴ (ii) provide a more detailed description of the factors considered by NSCC when projecting its intraday liquidity needs and determining intraday SLD Obligations; (iii) modify the NSCC Rules for determining the pro rata allocation of SLD Obligations across Supplemental Liquidity Providers when more than one Member is driving NSCC's liquidity needs; (iv) codify existing obligations for Members to provide reporting and information to NSCC regarding anticipated trading and settlement activity that would impact NSCC's liquidity needs; and (v) make other clarifying and cleanup changes to Rule 4A.

First, the proposed rule change would enhance the NSCC Rules to provide Members with a clearer understanding of NSCC's methodology for calculating its

⁴ As part of the proposed rule change, NSCC would adopt a new defined term, "SLD Obligation," to mean, on any Business Day, the amount of SLD required to be provided by a Supplemental Liquidity Provider as determined by NSCC in accordance with Rule 4A (Supplemental Liquidity Deposits). The proposed changes to defined terms in Rule 4A are discussed in further detail below.

intraday liquidity needs and any resulting SLD Obligations. More specifically, the proposed rule change would standardize the way NSCC calculates Intraday Supplemental Liquidity Calls (or intraday SLD Obligations, as proposed herein) by using a more precise netting methodology based on Members' current positions for all of NSCC's intraday SLD calculations, regardless of the point in time within or outside of any options expiration cycle. The proposed netting methodology would more closely align with the netting methodology used for NSCC's start-of-day ("SOD") liquidity need calculations, which uses open NSCC positions, rather than using an estimated netting percentage for the first business day of every options expiry period. NSCC believes the proposed netting changes would result in more accurate estimations of the actual liquidity exposures of each Member and would therefore result in more accurate SLD Obligations for Members.

The proposed rule change is also intended to improve Members' understanding of NSCC's intraday SLD calculation methodology by providing additional details regarding the factors (in addition to netting) that NSCC takes into consideration when projecting liquidity needs and determining SLD Obligations. For example, the proposed rules would describe how NSCC incorporates projected or anticipated trading or settlement activity reported to NSCC by Members, The Options Clearing Corporation ("OCC"),⁵ trade

⁵ OCC and NSCC are parties to the Amended and Restated Stock Options and Futures Settlement Agreement, which provides for the clearance and settlement of exercises and assignments of options on eligible securities or the maturity of eligible stock futures contracts through NSCC ("OCC E&A Activity"). Each business day, NSCC receives information from OCC regarding projected OCC E&A Activity to inform NSCC's liquidity risk projections ("E&A Projection Files"). See Securities Exchange Act Release No. 99733 (Mar. 14, 2024), 89 FR 19896 (Mar. 20, 2024) (SR-NSCC-2023-007).

matching platforms, and Index Receipt Agents into its projected Daily Liquidity Need⁶ determinations, as well as consideration of potential offsets from anticipated deliveries from a Member's free inventory at The Depository Trust Company ("DTC"). The proposed rule change would also describe additional adjustments that NSCC may make to its intraday SLD Obligation determinations to ensure coverage of NSCC's liquidity risk tolerance, which is designed to account for potential variations between NSCC's intraday liquidity projections and its final simulated liquidity needs on Settlement Date.

In addition, to the changes related to intraday liquidity needs and SLD Obligations, the proposal would make other enhancements to Rule 4A related to the operation of the SLD Rules. First, the proposed rule change would enhance Rule 4A concerning the pro rata allocation of SLD Obligations to limit excess liquidity and funding burdens on NSCC's Members. Specifically, NSCC would eliminate the \$2 billion threshold for pro rata allocations and apply a standardized pro rata allocation approach to both SOD and intraday SLD Obligations.

Second, the proposed rule change would codify obligations for Members to (i) provide additional reports and information concerning anticipated trading and settlement activity, as deemed necessary or advisable by NSCC to support NSCC's liquidity projections; (ii) track settlement activities that generate liquidity needs across all trading desks, systems or platforms and manage their liquidity needs; (iii) notify NSCC of anticipated significant changes in such activity; and (iv) identify to NSCC contact

⁶ Daily Liquid Need is currently defined as the payment obligations of NSCC as a central counterparty, as calculated and determined by NSCC, for all projected same day, intraday and multiday settlement activity (where appropriate), assuming the default on that day of an Unaffiliated Member/Affiliated Family. See NSCC Rule 4A, Section 2, supra note 3.

persons responsible for responding to NSCC's inquiries concerning settlement activity and liquidity management.

Finally, the proposed rule change would make organizational and drafting improvements to Rule 4A to more clearly and concisely describe NSCC's methodology and processes for determining SLD Obligations on an SOD and intraday basis, modify the process for returning excess SLD amounts to Members, and make other clarifying, organizational and cleanup changes to Rule 4A.

Collectively, the proposed rule changes set forth in this proposal reflect NSCC's ongoing efforts to enhance its ability to monitor and assess its liquidity needs. By describing the various factors NSCC considers when projecting liquidity needs, the proposed changes would support NSCC's ability to collect sufficient liquidity resources to effect settlement of its payment obligations in the event of a Member default as required by Rule 17ad-22(e)(7) under the Act.⁷ The proposed rule change would also provide additional details in the NSCC Rules for Members and the public to improve their understanding of NSCC's SLD methodology and better anticipate Members' obligations related to liquidity risk management.

NSCC believes the proposed changes would result in more accurate projections of NSCC's actual liquidity needs on an intraday basis. NSCC notes that, with respect to the

⁷ Rule 17ad-22(e)(7) under the Act requires, among other things, that NSCC maintains sufficient liquid resources at the minimum in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment obligation for the covered clearing agency in extreme plausible market conditions (generally referred to as a "Cover 1" standard or requirement). See 17 CFR 240.17ad-22(e)(7).

proposed rule changes related to the pro rata allocation of SLD Obligations, the total SLD collected would be equal to the amount of the largest daily liquidity shortfall, pro-rated among those Members that observed a liquidity shortfall. As a result, NSCC would continue to collect qualifying liquid resources⁸ sufficient to meet its Cover 1 requirement while reducing the resource allocation and funding burdens on Members associated with collecting resources in excess of this Cover 1 amount, which would result in a more efficient and effective SLD process.

NSCC has discussed this proposal with Members, who generally expressed support for the proposed changes. NSCC believes the proposal would benefit Members because it would (i) improve the accuracy of NSCC's SLD calculations by, for example, allowing NSCC to monitor and evaluate its intraday liquidity needs using a standardized process and more accurate netting methodology; (ii) enhance the overall accuracy of NSCC's liquidity need projections and improve Member understanding the methodology and processes associated therewith; (iii) minimize the burdens of potentially over-

⁸ Qualifying liquid resources is defined in Rule 17ad-22(a) under the Act. See 17 CFR 240.17ad-22(a). "Qualifying Liquid Resources," for purposes of the NSCC Rules, is defined in Section 2 of Rule 4A. See NSCC Rule 4A, Section 2, supra note 3. NSCC's qualifying liquid resources include, for example: (1) the cash in the Clearing Fund; (2) the cash that would be obtained from NSCC's committed 364-day credit facility with a consortium of lenders; (3) cash proceeds from NSCC's commercial paper and extendable note program; and (4) cash proceeds from NSCC's Senior Unsecured Notes. See NSCC Disclosure Framework for Covered Clearing Agencies and Financial Market Infrastructures, December 2025, p. 65 available at www.dtcc.com/-/media/Files/Downloads/legal/policy-and-compliance/nscd-disclosure-framework-2025-q4.pdf. NSCC and its affiliate clearing agencies (DTC and Fixed Income Clearing Corporation) have also adopted a Clearing Agency Liquidity Risk Management Framework that sets forth, among other things, the qualifying liquid resources of NSCC. See Securities Exchange Act Release No. 82377 (Dec. 21, 2017), 82 FR 61617 (Dec. 28, 2017) (SR-DTC-2017-004; SR-FICC-2017-008; SR-NSCC-2017-005).

collecting resources from Members to address NSCC's liquidity needs, particularly through the use of enhanced netting calculations and the pro rata distribution of NSCC's largest liquidity needs; and (iv) provide for more standardized, clear and transparent rules for NSCC's SLD processes.

The proposed rule change is discussed in detail below.

Background

Under NSCC Rule 4A, NSCC collects additional cash deposits, both at the SOD and on an intraday basis, in the form of SLD to the Clearing Fund to cover the liquidity exposures presented by Members (whether individually or as part of an affiliated Member family) whose activity generates liquidity needs in excess of NSCC's then available qualifying liquid resources. SLD is typically collected during times of increased trading activity, particularly those that arise around Options Expiration Activity Periods.⁹

Each Business Day, NSCC determines the peak liquidity need of each Member over a 24-month lookback period, and the 30 (or fewer) Members/Affiliated Families with the largest peak liquidity need during the lookback period may be designated "Supplemental Liquidity Providers" for that Business Day.¹⁰ Each Supplemental Liquidity Provider may then have a Supplemental Liquidity Obligation to NSCC based on the calculation set forth in Rule 4A, with such obligation being equal to the Daily Liquidity Need of the Supplemental Liquidity Provider calculated for that Business Day

⁹ An Options Expiration Activity Period is generally the period beginning at the opening of business on the monthly expiration date and ending at the close of business on the Settlement Date following such date. See NSCC Rule 4A, Section 2, supra note 3.

¹⁰ See NSCC Rule 4A, Section 3, supra note 3.

minus the Qualifying Liquid Resources available to NSCC on such date.¹¹ This Supplemental Liquidity Obligation is collected at the start of each Business Day, as applicable. If two or more Supplemental Liquidity Providers have a Supplemental Liquidity Obligation of more than \$2 billion, NSCC may allocate the Supplemental Liquidity Obligation of each Supplemental Liquidity Provider as its pro rata share of the largest Supplemental Liquidity Obligation calculated for that Business Day.¹²

In addition to SOD Supplemental Liquidity Obligations, NSCC may also issue Intraday Supplemental Liquidity Calls to Supplemental Liquidity Providers during Options Expiration Activity Periods. NSCC issues Intraday Supplemental Liquidity Calls calculated and collected, when applicable, on the first Business Day (typically a Friday) of an options expiry period.¹³ A Supplemental Liquidity Provider's Intraday Supplemental Liquidity Call is equal to the difference between NSCC's qualifying liquid resources and NSCC's Daily Liquidity Need based on the Supplemental Liquidity Provider's settlement activity at the start of the Business Day, adjusted to account for both the Supplemental Liquidity Provider's increased settlement activity submitted to NSCC over the course of the day and its projected settlement activity with respect to the monthly expiration of stock options.¹⁴ NSCC adjusts this recalculated Daily Liquidity

¹¹ See NSCC Rule 4A, Section 4.a., supra note 3.

¹² See NSCC Rule 4A, Section 4.b., supra note 3.

¹³ See NSCC Rule 4A, Section 7.a., supra note 3.

¹⁴ In this case, the recalculation is based on the data NSCC receives from OCC later in the day on Thursday.

Need using an estimated netting percentage that is based on that Supplemental Liquidity Provider's average percentage of netting observed over the prior 24 months.

On the remaining days of any Options Expiration Activity Period, NSCC may issue an intraday call on Supplemental Liquidity Providers whose increase in activity levels caused (or was the primary cause of) an observed increase in NSCC's Daily Liquidity Need. These discretionary Intraday Supplemental Liquidity Calls are issued in an amount equal to the difference between (i) the Daily Liquidity Need associated with the Supplemental Liquidity Provider on such Business Day, adjusted to account for such increased activity levels, and (ii) the sum of NSCC's Qualifying Liquid Resources.¹⁵

Proposed Changes to the NSCC Rules

NSCC proposes to amend Rule 4A to make the following changes:

- Make organizational and drafting improvements to Rule 4A to more clearly and concisely describe NSCC's methodology and processes for determining SLD Obligations on an SOD and intraday basis;
- Standardize the netting methodology, calculations and processes used by NSCC to determine Daily Liquidity Needs and intraday SLD Obligations, regardless of the point in time within or outside of any Options Expiration Activity Period;
- Provide additional details regarding the factors considered by NSCC when projecting liquidity needs and determining SLD Obligations to improve Members' understanding of NSCC's SLD calculations;

¹⁵ See NSCC Rule 4A, Section 7.b., supra note 3.

- Codify and clarify existing obligations for Members to provide reporting and information to NSCC regarding anticipated trading and settlement activity that would impact NSCC's liquidity needs;
- Modify the NSCC Rules for determining the pro rata allocation of SOD and intraday SLD Obligations when more than one Member is driving NSCC's liquidity needs;
- Modify the process for returning excess SLD amounts to Members; and
- Make other clarifying, organizational and cleanup changes to Rule 4A.

The proposed changes are discussed in further detail below.

Proposed Organizational and Drafting Changes to SOD and Intraday SLD Rules

NSCC proposes to reorganize, consolidate and streamline the NSCC Rules describing how NSCC determines SLD Obligations to improve Members' understanding of NSCC's SLD methodology and processes and their obligations thereunder. Under the proposed rule change, NSCC would modify Section 4 of Rule 4A, which describes the formula for calculating SLD Obligations, to more generally describe how NSCC determines SLD Obligations on both an SOD and intraday basis. As proposed, Section 4.a. of Rule 4A would continue to describe the general formula used by NSCC to calculate SLD Obligations with minor drafting changes to simplify the rule text. In addition, Section 4.b. of Rule 4A would be revised to add new rule text to clarify that SLD Obligations are determined based on (i) observed Daily Liquidity Needs, to be collected on an SOD basis; and (ii) projected Daily Liquidity Needs, to be collected on an intraday basis. NSCC would also relocate the existing rules in Section 4.b. of Rule 4A

concerning the allocation of SLD Obligations among Members, as described further below.

Additionally, NSCC proposes to adopt new Section 4.c. of Rule 4A to describe adjustments that NSCC may make when determining SLD Obligations to ensure sufficient coverage of its liquidity risk tolerance. This proposed change is discussed in further detail below.

NSCC believes that the proposed changes to Section 4 of Rule 4A would improve a Member's understanding of the SLD rules by providing a clear and concise explanation of how NSCC calculates its Daily Liquidity Needs for both SOD and intraday purposes. NSCC notes that it does not propose to change the substance of the Daily Liquidity Need formula currently contained in Section 4.a. of Rule 4A (i.e., that Supplemental Liquidity Obligations shall be calculated as the difference between the Daily Liquidity Need of the Supplemental Liquidity Provider calculated for that Business Day and the sum of all Qualifying Liquid Resources available to NSCC on that Business Day assuming stressed market conditions).

Proposed Changes to Standardize NSCC's Intraday SLD Methodology

NSCC proposes to enhance the NSCC Rules by standardizing the methodology and processes it uses to determine its projected Daily Liquidity Needs and intraday SLD Obligations, regardless of the point in time within or outside of any Options Expiration Activity Period. As discussed above, Section 7.a. of Rule 4A currently provides that for Intraday Supplemental Liquidity Calls on the first Business Day of an options expiry period, NSCC calculates a projection of its Daily Liquidity Need based on activity levels or projected settlement activity with respect to monthly expiration of stock options and

adjusts the recalculated Daily Liquidity Needs using an estimated netting percentage that is based on that Supplemental Liquidity Provider's average percentage of netting observed over the prior 24 months. Section 7.b. of Rule 4A, however, does not specify netting assumptions for days other than the first Business Day of an options expiry period and allows for other netting assumptions, such as current-open positions.

The proposed rule change would create one standard methodology and process, regardless of timing within or outside of the options expiry period, for calculating intraday SLD Obligations. Specifically, NSCC would eliminate the concept of the Options Expiration Activity Period from the NSCC Rules, discontinue its use of the estimated netting percentage based on a 24-month lookback period, and adopt one standard netting methodology based on current open positions regardless of the timing of any options expiry period, similar to SOD liquidity need calculations. To effectuate this change, NSCC would delete Section 7, entitled Determination of Intraday Supplemental Liquidity Calls, and the definition of Options Expiration Activity Period from Section 2 of Rule 4A. NSCC would replace these deleted items with new rules in a new Section 5 describing NSCC's methodology and process for projecting its Daily Liquidity Needs for purposes of determining intraday SLD Obligations, as described below.

The proposed standardized netting approach would more closely reflect the actual netting against open NSCC positions that is done during the overnight process used for SOD liquidity need calculations, which NSCC believes is a more accurate representation of the actual liquidity exposures of each Member.

Proposed Changes Related to Liquidity Need Projections for Intraday SLD

Under its existing authority in Section 7 of Rule 4A, NSCC may adjust its Daily Liquidity Needs for the purpose of determining Intraday Supplemental Liquidity Calls to account for increased activity levels and projected settlement activity of its Members. Accordingly, NSCC has continued to improve its process for projecting settlement activity to more accurately project its associated Daily Liquidity Needs. This includes refining the factors that NSCC considers and incorporates into its Daily Liquidity Need projections. NSCC proposes to adopt new Section 5 of Rule 4A to provide additional details regarding the various factors NSCC may take into consideration when projecting its Daily Liquidity Needs for intraday SLD Obligations.

Proposed Section 5 would provide that, when calculating and determining projected Daily Liquidity Needs to determine intraday SLD Obligations, NSCC may take into consideration factors including, but not limited to: (i) a Member's projected or anticipated trading or settlement activity as communicated by the Member, The Options Clearing Corporation, a Qualified Clearing Agency or Registered Clearing Agency offering trade matching services, an Index Receipt Agent, or any other person authorized to submit transaction information for such Member; (ii) projected netting activity using open positions for that Member; and (iii) anticipated deliveries from a Member's free inventory at the Member's Designated Depository into the next CNS¹⁶ night cycle, after consideration of applicable long allocation projection offsets and cross-account netting.

The consideration of these factors is discussed in additional detail below.

¹⁶ CNS is NSCC's core netting, allotting, and fail-control engine for securities transactions. See NSCC Rule 11 (CNS System) and Procedure VII (CNS Accounting Operation), supra note 3.

Consideration of Anticipated Trading and Settlement Activity

Certain trading activity cleared by NSCC is not finalized and submitted to NSCC for clearing until later in the trading day and therefore is not typically received in time to be included in NSCC's intraday SLD calculation and collection process (which is generally completed prior to the close of the Federal Reserve's Fedwire Funds Service at 7:00 p.m. Eastern Time¹⁷). For example, the NSCC deadline for Index Receipt Agents to submit exchange-traded fund ("ETF") creation/redemption instructions in the primary cycle is 8:45 p.m.,¹⁸ the affirmation deadline for prime broker trades submitting by trade matching platforms (such as DTCC ITP Matching (US) LLC or "ITPM")¹⁹ is currently

¹⁷ All times discussed herein are Eastern Time unless otherwise indicated.

¹⁸ ETFs (referred to as "index receipts" in the NSCC Rules) are marketable securities that track stock indices, commodities, bonds, or baskets of assets. Shares of ETFs are "created" and "redeemed" in the primary market and are traded on listed exchanges in the secondary market. NSCC facilitates clearing and settlement of the creation and redemption of ETF shares in the primary market as well as clearing of ETF trades in the secondary market. The participants in the ETF primary market typically consist of the issuers of ETFs ("ETF Sponsors"), custodian banks ("ETF Agents," also referred to as "Index Receipt Agents" in the NSCC Rules, see Rule 1 (Definitions and Descriptions), supra note 3), and brokers/dealers that have agreements directly with ETF Sponsors to allow the brokers/dealers to place orders for the creation and redemption of ETF shares ("Authorized Participants" or "APs"). Both the ETF Agents and APs are Members of NSCC. APs create and redeem ETF shares from the ETF Sponsors in blocks called "creation units." An AP that purchases a creation unit of ETF shares delivers a "basket" of securities and other assets to the ETF Agent, and then receives the creation unit of ETF shares in return for those assets. The redemption process is the reverse of the creation process: the AP redeems a creation unit of ETF shares for a basket of securities and other assets. See NSCC Rule 7 (Comparison and Trade Recording Operation (Including Special Representative/Index Receipt Agent)) and Procedure II. (Trade Comparison and Recording Service), Section F. concerning the ETF creation/redemption process, supra note 3.

¹⁹ ITPM, which is a wholly owned subsidiary of DTCC ITP LLC, provides central trade matching and electronic trade confirmation services subject to the conditions

9:00 p.m., and final OCC E&A Activity may be submitted to NSCC as late as 1:00 a.m. As a result, NSCC must incorporate projections of such activity into its Daily Liquidity Need calculations for purposes of determining intraday SLD Obligations.

Currently, in order to project its Daily Liquidity Needs, NSCC reaches out to those Members who are typically the top liquidity users (and also subject to SLD) during periods of elevated activity (e.g., the week leading up to standard option expirations) to solicit information concerning their projected OCC or ETF activity. With respect to OCC activity, NSCC receives E&A Projection Files from OCC regarding projected OCC E&A Activity for each activity date to inform NSCC's liquidity risk projections.²⁰ For ETF activity, this also includes outreach to Index Receipt Agents concerning their anticipated ETF activity, and NSCC has worked with Index Receipt Agents to develop an automated reporting process through which Index Receipt Agents can provide daily projected ETF activity reporting. Additionally, NSCC maintains information sharing arrangements with trade matching platforms concerning their anticipated clearance and settlement activity. All of this information is used by NSCC's Liquidity Risk Management team to inform the projection of NSCC's Daily Liquidity Need calculations for purposes of determining intraday SLD Obligations.

The proposed rule change would provide additional clarity regarding NSCC's process for projecting Daily Liquidity Needs by describing in the NSCC Rules the various factors and information sources used to project or anticipate trading or settlement

of an exemptive order issued by the Commission. See Securities Exchange Act Release No. 44188 (Apr. 17, 2001); 66 FR 20494 (Apr. 23, 2001) (600-32).

²⁰ See supra note 5.

activity. This includes information communicated to NSCC by sources such as Members, OCC, trade matching platforms (such as ITPM), and Index Receipt Agents.

Proposed Section 5 would also provide that NSCC shall assume the completeness and accuracy of all information concerning a Member's projected or anticipated trading or settlement activity that is provided to NSCC by the Member, OCC, a Qualified Clearing Agency or Registered Clearing Agency offering trade matching services, an Index Receipt Agent, or any other person authorized to submit transaction information for such Member, and that NSCC may directly incorporate such information into its Daily Liquidity Need calculations via automated processes. The proposed rule change would provide NSCC with explicit authority to automatically incorporate such data directly into its liquidity need calculations via automated processes rather than relying on manual processes and confirmations with Members.

Consideration of Projected Netting Activity

The newly proposed Section 5 of Rule 4A would also reflect that NSCC would utilize a standard netting methodology based on current open positions for all intraday liquidity need projections, rather than using an estimated netting percentage based on the 24-month lookback period for the first Business Day of every options expiry period, as discussed above.

Consideration of Anticipated Deliveries

The proposed rule change would describe NSCC's ability to consider anticipated deliveries from a Member's free inventory at the Member's Designated Depository (i.e., DTC) into the next CNS night cycle as potential offsets to NSCC's projected liquidity needs. CNS is NSCC's automated accounting and securities settlement system that

centralizes and nets the settlement of compared and recorded securities transactions and maintains an orderly flow of security and money balances. CNS relies on an interface with NSCC's affiliate clearing agency, DTC, for the book-entry movement of securities. CNS short positions are compared against each Member's DTC accounts to determine the availability of securities for delivery. If securities are available, they are automatically transferred from the Member's account at DTC to NSCC's account at DTC to cover the Member's short obligations to CNS.

NSCC calculates its Daily Liquidity Need as the payment obligations of NSCC as central counterparty for all observed or projected same day, intraday and multiday settlement activity (where appropriate), assuming the default on that day of an Unaffiliated Member or Affiliated Family. This payment obligation is the net liquidity need after the application of all permitted long allocations, cross-account netting, and other applicable offsets.

Anticipated deliveries from free inventory at DTC may be used to further offset projected net liquidity needs after consideration of long allocation projection offsets and cross-account netting.²¹ NSCC works with potential Supplemental Liquidity Providers to confirm their expected inventory value and obtain appropriate assurance that such Members manage and facilitate delivery of those securities into the CNS night cycle, which begins at approximately 11:30 PM each Business Day.

Proposed Section 5 would codify details concerning NSCC's process for incorporating anticipated deliveries from a Member's free inventory into NSCC's Daily

²¹ NSCC would use the actual DTC deliveries from the night cycle when determining net liquidity needs for its SOD liquidity reporting and determining whether additional SOD SLD Obligations are needed.

Liquidity Need Projections. The proposed rule would provide that, in order for NSCC to appropriately consider anticipated deliveries from a Member's free inventory into its Daily Liquidity Need projections, the Member shall identify to NSCC in writing, and in such form, time and manner as required by NSCC, an aggregate value of its existing free inventory that is recorded in the subaccounts of the Member with delivery obligations into the CNS night cycle scheduled to run on that Business Day. The proposed rule would also stipulate that any Member identifying such anticipated deliveries for consideration in NSCC's Daily Liquidity Need projections represents to NSCC that (i) it shall make best efforts to manage such inventory such that it continues to be recorded within a specified subaccount of the Member through the start of the immediate next CNS night cycle; and (ii) it shall not take any action that would prohibit the delivery of such inventory into the immediate next CNS night cycle. The proposed rule would also clarify that NSCC may consider all or part of the identified inventory in its Daily Liquidity Need projections.

The proposed rule change would provide additional clarity and transparency in NSCC's rules regarding the inventory projection process and codify the associated reporting, representations and assurances directly into the NSCC Rules. As noted above, a Member's available inventory is automatically transferred from the Member's account at DTC to NSCC's account at DTC to cover the Member's short obligations to CNS. NSCC therefore believes that applying inventory offsets when such inventory can be appropriately confirmed by NSCC and the Member and committed for delivery in the night cycle would result in more accurate projections of its Daily Liquidity Needs and resulting intraday SLD Obligations for its Members.

Proposed Changes Related to Consideration of NSCC's Liquidity Risk Tolerance

As noted above, NSCC also proposes to adopt Section 4.c. of Rule 4A to describe how NSCC may adjust SLD Obligations to account for potential variations in NSCC's actual liquidity needs to facilitate the maintenance of sufficient liquidity resource coverage within NSCC's liquidity risk tolerance. Under the DTCC Corporate Risk Management Policy, NSCC maintains risk tolerance statements for certain core risks that (i) define the risk in question; (ii) describe the associated risk appetite and related thresholds; (iii) set forth supporting key risk indicators; and (iv) identify the escalation requirements when breaches occur. Risk tolerances are used to establish and communicate thresholds for risk, including the quantity and type of risk, that NSCC is willing to accept in pursuit of its business objectives. Pursuant to the DTCC Corporate Risk Management Policy, NSCC has established liquidity risk tolerances that include metrics and thresholds concerning its Cover 1 liquidity sufficiency. Currently, NSCC's liquidity risk tolerance targets liquidity resource levels sufficient to cover 110 percent of NSCC's actual liquidity needs. These liquidity risk tolerance targets allow NSCC to account for potential variations between NSCC's intraday liquidity projections, which are based on projections and estimates available to NSCC prior to Settlement Date, and NSCC's observed final simulated liquidity needs calculated on Settlement Date. Under the proposed rule change, NSCC would assess this liquidity risk tolerance threshold on at least an annual basis and will communicate any changes to such thresholds in advance to potential Supplemental Liquidity Providers.

Proposed Changes to Allocation of Supplemental Liquidity Obligations

As discussed above, Section 4.b. of Rule 4A currently provides that if two or more Supplemental Liquidity Providers have a Supplemental Liquidity Obligation of more than \$2 billion, NSCC may determine the Supplemental Liquidity Obligation of each Supplemental Liquidity Provider as its pro rata share of the largest Supplemental Liquidity Obligation calculated for that Business Day. This rule provides NSCC with the option to determine, if it is appropriate, to collect the largest SLD calculated for that Business Day divided pro rata among the Supplemental Liquidity Providers rather than collect each of the individual Supplemental Liquidity Obligations of those firms. Collecting the largest SLD on a pro rata basis enables NSCC to collect sufficient funds to meet its Cover 1 regulatory requirement²² in circumstances when the aggregate Supplemental Liquidity Obligations on a particular day would significantly exceed that amount, thereby reducing liquidity and funding burdens on its Members.²³

NSCC proposes to relocate its pro rata allocation rules into Section 6 of Rule 4A²⁴ and clarify that it applies to all SLD Obligations (both SOD and intraday). NSCC also proposes to eliminate the \$2 billion threshold for pro rata allocations. Specifically, Section 6 of Rule 4A would state that, if two or more Supplemental Liquidity Providers present a Daily Liquidity Need resulting in an SLD Obligation, NSCC would determine

²² See supra note 7.

²³ See Securities Exchange Act Release No. 92213 (June 21, 2021), 86 FR 33414, 33417 - 33419 (June 24, 2021) (SR-NSCC-2021-002).

²⁴ The existing rules in Section 6 of Rule 4A concerning the notification of SLD Obligations would be relocated to Section 7 of Rule 4A, with certain modifications, as discussed below.

the SLD Obligation amount of each Supplemental Liquidity Provider as its pro rata share of the largest SLD Obligation calculated for the Business Day (whether start-of-day or intraday); provided that NSCC may collect the total amount of each Supplemental Liquidity Provider's individual SLD Obligations if NSCC determines that such action is necessary for the protection of NSCC, participants, investors or creditors.

NSCC intends to use pro rata allocation as the primary/default method for collecting SLD Obligations; however, NSCC would retain its existing discretion in the NSCC Rules to collect the total amount of a Member's SLD Obligation in exceptional circumstances (i.e., where the collection of the total obligation may be necessary for the protection of NSCC, participants, investors, or creditors). This may occur, for example, if NSCC has a reasonable basis to believe that one of the Supplemental Liquidity Providers may be unable to satisfy its pro rata portion of the SLD Obligation to NSCC. Any determination to collect each Member's total obligation would be made pursuant to NSCC's Liquidity Risk Management Procedures, which describe the process and approval authority required to make SLD calls based on the amount of any such call in relation to NSCC's Qualifying Liquid Resources (i.e., whether the amount of an SLD call would exceed certain percentage thresholds of Qualifying Liquid Resources).²⁵

NSCC believes that providing one standardized approach in the NSCC Rules for allocating SOD and intraday SLD Obligations would provide greater clarity, transparency, and consistency for its Members. NSCC also believes that removing the \$2

²⁵ NSCC notes that it does not intend to collect an amount between the Member's total obligation and a pro rata share of the largest obligation. NSCC would collect either the pro rata share of the largest obligation or the Member's total individual SLD Obligation.

billion threshold established previously by NSCC would help to further reduce unnecessary liquidity and funding burdens on its Members while still allowing NSCC to collect sufficient funds to meet its regulatory requirements in circumstances when the aggregate SLD Obligations of all Supplemental Liquidity Providers on a particular day would exceed that amount.

Proposed Changes to Return of SLD Obligations

NSCC proposes to clarify its rules regarding the return of SLD in Section 9 of Rule 4A. Section 9 of Rule 4A currently provides that a Supplemental Liquidity Provider shall be entitled to the return of its SLD, payable on the Business Day following the Business Day on which the SLD was made, unless otherwise notified by NSCC.²⁶ Pursuant to this rule, NSCC may notify a Member that it has elected to retain all or part of its SLD if a liquidity need remains on the day(s) after the deposit was made. NSCC proposes to revise this rule to more clearly reflect NSCC's right to retain SLD, as needed, and to provide Members with the right to request the return of any excess SLD (rather than a default assumption regarding the automatic return of SLD).

NSCC proposes to retitle this section of Rule 4A to "Return of Supplemental Liquidity Deposits" and restate this Rule to provide that, upon the request of a Member, NSCC will return its SLD, provided that NSCC may retain all or any amount of such SLD NSCC deems necessary to cover observed or projected liquidity obligations of such Member to NSCC, assuming the default on that day of such Member or Affiliated Family. NSCC believes the proposed rule change would more clearly reflect NSCC's right to retain all or part of a Member's SLD if a liquidity need remains beyond the initial

²⁶ See NSCC Rule 4A, Section 9, supra note 3.

day of deposit. NSCC also believes that making Members responsible for requesting the return of excess SLD will encourage Members to more actively monitor and manage their liquidity obligations at NSCC.

Proposed Changes Concerning Member Reporting and Notification Requirements

NSCC also proposes to adopt new Section 14 of Rule 4A, titled “Member Reporting and Notification Requirements,” to provide additional clarity regarding expectations for Members to inform NSCC of anticipated trading and settlement activity that is not yet reflected in NSCC’s clearing or risk systems. The proposed rule would require that each Member manage its liquidity needs to NSCC, specifically by tracking its settlement activities that generate liquidity needs across all trading desks, systems, and platforms and notifying NSCC of anticipated significant changes in such activity. The proposed rule would further require that each Member identify contact persons responsible for responding to NSCC’s inquiries concerning settlement activity and liquidity management and confirm or update such contacts on at least an annual basis.

The proposed rule would also codify certain obligations for Members to provide reporting and information to NSCC concerning liquidity risk management. Pursuant to Section 2.A. of NSCC Rule 2B (Ongoing Membership Requirements and Monitoring), NSCC currently has the authority to require the submission of additional reports and other information as it may deem necessary or advisable, in the form and to the persons or departments as specified NSCC.²⁷ Under Section 2 of Rule 15 (Assurances of Financial Responsibility and Operational Capability), NSCC may also require Members to furnish such adequate assurances of its financial responsibility and operational

²⁷ See NSCC Rule 2B, Section 2.A., supra note 3.

capability as NSCC may at any time or from time to time deem necessary or advisable in order to protect NSCC, its participants, creditors or investors, to safeguard securities and funds in the custody or control of NSCC and for which NSCC is responsible, or to promote the prompt and accurate clearance, settlement and processing of securities transactions.²⁸ Pursuant to authority under these NSCC Rules, NSCC periodically requires Members to provide information and reporting on, for example, anticipated trading and settlement activity to inform NSCC's management of liquidity risk. NSCC now proposes to codify specific obligations for Members to provide regular reporting on anticipated trading and settlement activity. Specifically, the proposed rule change would state that NSCC may require Members to provide additional reports or information concerning their anticipated trading and settlement activity as NSCC may deem necessary or advisable to more accurately project its Daily Liquidity Needs. Furthermore, the proposed rule would require Members to provide such requested reports and information in the time, form and manner specified by NSCC and completely and accurately provide all requested information. With respect to Index Receipt Agents, the proposed rule change would further codify a requirement that such reporting shall include daily automated reporting of anticipated creation and redemption activity between such Index Receipt Agent and Authorized Participants, requiring all Index Receipt Agents to provide daily reporting through the automated reporting process discussed above.

NSCC believes that the provision of information concerning anticipated trading and settlement activity is necessary to accurately and appropriately project its Daily Liquidity Needs and intraday SLD Obligations under NSCC Rule 4A and meets its

²⁸ See NSCC Rule 15, Section 2.(a), supra note 3.

liquidity resource obligations under Rule 17ad-22(e)(7) under the Act.²⁹ Accordingly, NSCC proposes to explicitly codify these obligations with respect to liquidity risk reporting to provide additional clarity and transparency to Members and the public.

Other Clarifying Changes

NSCC proposes to make other clarifying and cleanup changes to Rule 4A. NSCC would revise Rule 4A to relocate the definitions of the terms Supplemental Liquidity Deposit and Supplemental Liquidity Provider to the definitions section in Section 2 to consolidate the majority of defined terms in Rule 4A and improve the clarity and readability of the NSCC Rules. NSCC would also add a new defined term, “SLD Obligation,” to mean, on any Business Day, the amount of SLD required to be provided by a Supplemental Liquidity Provider, on a start-of-day or intraday basis, as determined by NSCC in accordance with Rule 4A. NSCC would also update the definition of “Supplemental Liquidity Deposit” (or “SLD”) to mean a deposit made to the Clearing Fund by a Supplemental Liquidity Provider in an amount equal to its start-of-day or intraday SLD Obligations. In addition, NSCC would eliminate the defined term “Intraday Supplemental Liquidity Call” and instead use the new defined term SLD Obligation to apply to both SOD and intraday SLD obligations, as applicable, to provide for greater consistency across the NSCC Rules.

Additionally, NSCC would revise the definition of “Daily Liquidity Need” in Section 2 of Rule 4A to mean the payment obligations of NSCC as a central counterparty, as calculated and determined by NSCC, for all observed start-of-day, projected intraday and multiday settlement activity (where appropriate), assuming the default on that day of

²⁹ See 17 CFR 240.17ad-22(e)(7).

an Unaffiliated Member or Affiliated Family. The proposed rule change would clarify that NSCC's liquidity needs are calculated for payment obligations based on "observed start-of-day, projected intraday and multiday settlement activity" (rather than solely "projected" same day, intraday and multiday settlement activity). The proposed rule change would also clarify that such payment obligation is the anticipated net liquidity need after all permitted long allocations, cross-account netting and actual or anticipated deliveries into the CNS night cycle.

NSCC would also revise the definition of "Qualifying Liquid Resources" in Section 2 of Rule 4A to remove a statement that "Qualifying Liquid Resources" would not include Supplemental Liquidity Deposits for purposes of this Rule 4(A)." This statement was intended to reflect the fact that SLD would be returned on the day following the date the deposit was made; however, as noted above, NSCC currently has the discretion to retain SLD if there is an ongoing liquidity need. Supplemental Liquidity Deposits that are currently deposited with NSCC, and which have not been returned, would in fact be included in NSCC's Qualifying Liquid Resources. NSCC therefore believes that removing this statement would improve the accuracy and clarity of the NSCC Rules.

In addition, NSCC proposes to revise the description of its process for determining Supplemental Liquidity Providers in Section 3 of Rule 4A to streamline the rule and remove an unnecessary reference to "Members of an Affiliated Family," which NSCC believes is already covered by the description used for "Affiliated Family." NSCC would also remove the defined terms "Peak Liquidity Need" and "Lookback Period" from Sections 2 and 3 of Rule 4A but would retain the substance of these requirements

within the newly revised Section 3 of Rule 4A by more directly stating that the 30 (or fewer) Unaffiliated Members or Affiliated Families with the largest Daily Liquidity Needs over a 24-month lookback period shall be Supplemental Liquidity Providers for that Business Day. The proposed change is meant to improve the drafting and clarity of the NSCC Rules and is not intended to change the manner in which NSCC determines which Members are Supplemental Liquidity Providers.

NSCC also proposes to revise Section 6 of Rule 4A, renumbered as Section 7, to provide additional clarity around the notices provided to Supplemental Liquidity Providers. Specifically, the proposed rule would note that on each Business Day, NSCC shall provide each Supplemental Liquidity Provider with the amount of its start-of-day and intraday SLD Obligation for that Business Day, “where applicable.” The proposed change is intended to clarify that a Member may be deemed a Supplemental Liquidity Provider pursuant to Section 3 of Rule 4A but not necessarily issued an SLD Obligation for that day. The proposed language would clarify that such notices would be provided for both SOD and intraday SLD Obligations. NSCC would also remove a statement in Section 6 of Rule 4A that SLD notices provided to Supplemental Liquidity Providers will specify if the Supplemental Liquidity Obligation was calculated pursuant to Section 4.b. of Rule 4A (i.e., that it was a pro rata allocated amount). NSCC performs outreach to Supplemental Liquidity Providers when issuing SLD Obligations to explain the reasons and drivers for the SLD Obligations but would not necessarily specify in the notice whether such an obligation was determined pursuant to Section 4.b. of Rule 4A. NSCC also proposes to delete the last sentence of Section 6 of Rule 4A, which requires Supplemental Liquidity Providers to make its SLD to the Clearing Fund within one hour

of demand, unless otherwise determined by NSCC, and incorporate the timing requirements for meeting SLD calls generally into newly proposed Section 8 of Rule 4A, as discussed below.

NSCC proposes to consolidate its rules concerning the satisfaction of SOD and intraday Supplemental Liquidity Obligations from Sections 5 and 8 into Section 8 of Rule 4A. As proposed, Section 8 of Rule 4A would provide that Members shall satisfy SLD Obligations by making a Supplemental Liquidity Deposit to NSCC within the time prescribed by NSCC or, in the absence thereof, within one hour of NSCC's issuance of notice of such obligation. The rule would also state that all Supplemental Liquidity Deposits shall be made in cash by wire transfer to an account designated by NSCC.

The newly renumbered/proposed Sections 7 - 9 and existing Section 10 of Rule 4A would be included under a new subsection of Rule 4A titled "Satisfaction and Return of Supplemental Liquidity Deposits.

Additionally, NSCC would update Section 13 of Rule 4A to include additional details concerning the information and reporting made available to Supplemental Liquidity Providers each Business Day. Specifically, NSCC would revise Section 13 of Rule 4A to clarify that, in addition to Daily Liquidity Needs for each Supplemental Liquidity Provider, NSCC also makes available the amount of Qualifying Liquid Resources on deposit for each Business Day.

Finally, NSCC would remove certain general explanatory statements from the introductory paragraph in Section 1 of Rule 4A, which do not describe material aspects of SLD, NSCC's SLD-related operations, or any rights or obligations related to SLD and

therefore do not constitute “rules” as defined by Section 19(b)(1) of the Act³⁰ and Rule 19b-4 thereunder.³¹

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 Act³² and Rule 17ad-22(e)(7) thereunder³³ for the reasons set forth below.

Section 17A(b)(3)(F) of Act³⁴ 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

³⁰ Section 19(b)(1) of the Act requires a self-regulatory organization (“SRO”) such as NSCC to file with the Commission any proposed rule or any proposed change in, addition to, or deletion from the rules of such SRO. See 15 U.S.C. 78s(b)(1). Section 3(a)(27) of the Act defines “rules of a clearing agency” to mean its (1) constitution, (2) articles of incorporation, (3) bylaws, (4) rules, (5) instruments corresponding to the foregoing and (6) such of the “stated policies, practices and interpretations” (“SPPI”) as the Commission may determine by rule. See 15 U.S.C. 78c(a)(27). Rule 19b-4(a)(6) under the Act defines the term “SPPI” to include (i) any material aspect of the operation of the facilities of an SRO, or (ii) any statement made generally available to membership of, to all participants in, or to persons having or seeking access to facilities of an SRO that establishes or changes any standard, limit, or guideline. See 17 CFR 240.19b-4(a)(6).

³¹ 17 CFR 240.19b-4.

³² 15 U.S.C. 78q-1(b)(3)(F).

³³ See 17 CFR 240.17ad-22(e)(7).

³⁴ 15 U.S.C. 78q-1(b)(3)(F).

investors and the public interest. The proposed rule change would enhance the NSCC Rules for determining intraday SLD Obligations by standardizing the way NSCC calculates such obligations each day (regardless of the point in time within or outside of an options expiry period), which NSCC believes would result in more accurate estimations of the actual liquidity exposures of each Member and the SLD Obligations required to cover such exposures. The proposed rule change would also clearly describe the factors that NSCC may consider when projecting its Daily Liquidity Needs and adjusting SLD Obligations to remain within NSCC's liquidity risk tolerance. Specifically, the proposed rule change would clarify that NSCC may take into consideration factors including, but not limited to: (i) a Member's projected or anticipated trading or settlement activity as communicated to NSCC by the Member, OCC, trade matching platforms, Index Receipt Agents, or any other person authorized to submit transaction information for such Member; (ii) projected netting activity using open positions for that Member; and (iii) anticipated deliveries from a Member's free inventory at DTC into the next CNS night cycle. The proposed rule change would also clarify NSCC's authority to automatically incorporate such data directly into its liquidity need calculations (rather than relying on manual processes and confirmations). In addition, the proposed rule change would describe adjustments that NSCC may make to its intraday SLD Obligations to ensure coverage of NSCC's liquidity risk tolerance, which is designed to account for potential variations between NSCC's intraday liquidity projections and its final simulated liquidity needs on Settlement Date. Furthermore, the proposed rule change would codify existing obligations for Members to provide reporting and information to NSCC regarding anticipated trading and settlement activity that would impact NSCC's liquidity

needs. This information is necessary for NSCC to accurately and appropriately project its Daily Liquidity Needs, which in turn informs how NSCC determines SLD Obligations needed to manage the liquidity risks presented by its Members.

In addition, the proposed rule change would remove the \$2 billion threshold for the pro rata allocation of SLD obligations and provide clear and transparent rules concerning the potential allocation of both SOD and intraday SLD Obligations. Collecting the largest SLD on a pro rata basis enables NSCC to collect sufficient funds to meet its Cover 1 regulatory requirements in circumstances when the aggregate Supplemental Liquidity Obligations on a particular day exceeds that amount, thereby limiting liquidity and funding burdens on its Members and reducing the possibility that Members would be unable to fund such amounts.

NSCC believes the proposed enhancements to NSCC's netting methodology and pro rata allocation rules would result in more accurate estimations of the actual liquidity exposures of its Members and would therefore result in more accurate and appropriate SLD Obligations for those Members. NSCC also believes that providing additional clarity in the NSCC Rules regarding the various factors considered by NSCC when projecting liquidity needs and determining SLD Obligations would improve understanding of NSCC's intraday SLD processes by NSCC's Members, market participants, and the public. This, in turn, would help Members understand their potential SLD Obligations so they are better equipped and able to satisfy such obligations when due. NSCC uses the SLD it collects to mitigate potential liquidity shortfalls that may arise when 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.³⁵

Rule 17ad-22(e)(7) under the Act requires generally that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity.³⁶ This includes by maintaining sufficient liquid resources at the minimum in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment obligation for the covered clearing agency in extreme plausible market conditions and holding qualifying liquid resources sufficient to meet this “Cover 1” requirement.³⁷

As discussed above, the proposed rule change would enhance the NSCC rules for determining intraday SLD Obligations by standardizing the way it calculates such obligations each day and providing additional details regarding the factors that NSCC

³⁵ Id.

³⁶ See 17 CFR 240.17ad-22(e)(7).

³⁷ See 17 CFR 240.17ad-22(e)(7)(i) and (ii).

may consider when projecting and adjusting its Daily Liquidity Needs. This includes, for example, a Member's projected or anticipated trading or settlement activity as communicated to NSCC by various sources, projected netting activity using open positions for that Member, and anticipated deliveries from a Member's free inventory at DTC into the next CNS night cycle. In addition, the proposed rule change would describe adjustments that NSCC may make to its intraday SLD Obligations to ensure coverage of NSCC's liquidity risk tolerance, which is designed to account for potential variations between NSCC's intraday liquidity projections and its final observed simulated liquidity needs on Settlement Date. Furthermore, the proposed rule change would codify existing obligations for Members to provide reporting and information to NSCC regarding anticipated trading and settlement activity that would impact NSCC's liquidity needs. This information is necessary for NSCC to accurately and appropriately project its Daily Liquidity Needs, which in turn informs SLD Obligations needed to manage the liquidity risks presented by its Members. NSCC believes the proposed changes are reasonably designed to facilitate the collection of sufficient liquid resources to cover NSCC's liquidity exposures and complete end-of-day settlement in the event of the default of the Member that would generate the largest aggregate payment obligations for NSCC.

In addition, the proposed rule change would remove the \$2 billion threshold for the pro rata allocation of SLD obligations and provide clear and transparent rules concerning the potential allocation of both SOD and intraday SLD Obligations. Collecting the largest SLD on a pro rata basis enables NSCC to collect sufficient funds to meet its Cover 1 regulatory requirements in circumstances when the aggregate SLD Obligations on a particular day exceeds that amount, thereby limiting liquidity and

funding burdens on its Members and reducing the possibility that Members would be unable to fund such amounts.

NSCC would also make changes throughout Rule 4A to improve the accuracy and clarity of the descriptions of key aspects of its liquidity risk management processes and its Members' responsibilities thereunder so that Members are better able to anticipate and comply with such requirements.

For the foregoing reasons, NSCC believes the proposed rule change is reasonably designed to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity, and by maintaining sufficient qualifying liquid resources to effect the settlement of its payment obligations under a Cover 1 standard in accordance with the requirements of Rules 17ad-22(e)(7)(i) and (ii) under the Act.³⁸

For the reasons set forth above, NSCC believes the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act³⁹ and Rule 17ad-22(e)(7) thereunder.⁴⁰

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

Section 17A(b)(3)(I) of Act⁴¹ 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

³⁸ Id.

³⁹ 15 U.S.C. 78q-1(b)(3)(F).

⁴⁰ See 17 CFR 240.17ad-22(e)(7).

⁴¹ 15 U.S.C. 78q-1(b)(3)(I).

burden or have a material impact on competition. The proposed rule change is primarily intended to clarify and enhance the NSCC Rules for determining SLD requirements for its Supplemental Liquidity Providers; however, it would not change the NSCC Rules for selecting Supplemental Liquidity Providers on any given business day. As a result, NSCC does not expect the proposed rule change to impact the number of Members that would be designated Supplemental Liquidity Providers or the number of Members subject to SLD requirements. In addition, the proposed rule change would remove the threshold, and standardize the processes, for allocating SLD Obligations across Members on a pro rata basis, which should generally result in lower overall SLD Obligations for potential Supplemental Liquidity Providers, reducing unnecessary liquidity and funding burdens on NSCC's Members. This rule change would apply equally, and on a pro rata basis, to all Members determined to be Supplemental Liquidity Providers. NSCC therefore believes these proposed changes would not impose any burden on competition.

The proposed rule change would also allow NSCC to use a more accurate estimate of potential netting activity, regardless of the point in time within or outside of any options expiry period, to determine its intraday SLD Obligations. In addition, the proposal would describe the various factors that NSCC may consider when projecting its intraday liquidity needs and how NSCC may consider its liquidity risk tolerance when determining the size of intraday SLD Obligations. While the proposed rule change could result in either increases or decreases to SLD Obligations on a given date for a given Member, the proposed changes are intended to result in more accurate estimations of the actual liquidity exposures of each Member and would therefore result in more accurate SLD Obligations for Members. The proposed changes are designed to enhance NSCC's

ability to effectively measure, monitor, and manage its liquidity risk, specifically by maintaining sufficient qualifying liquid resources to effect the settlement of its payment obligations in compliance with its Cover 1 liquidity requirement⁴² and thereby promote the prompt and accurate clearance and settlement of securities transactions in furtherance of Section 17A(b)(3)(F) of the Act.⁴³ Accordingly, NSCC believes that any potential increases in SLD Obligations would be necessary and appropriate in furtherance of the purposes of the Act.

Finally, the proposed rule change would codify existing obligations for Members to provide reporting and information to NSCC regarding anticipated trading and settlement activity that would impact NSCC's liquidity needs. This information is necessary for NSCC to accurately and appropriately project its Daily Liquidity Needs for intraday SLD purposes and to collect sufficient qualifying liquid resources to meet its Cover 1 regulatory obligation, as required by Rule 17ad-22(e)(7) under the Act.⁴⁴

For the foregoing reasons, 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, NSCC will amend this filing to publicly

⁴² See supra note 7.

⁴³ 15 U.S.C. 78q-1(b)(3)(F).

⁴⁴ See 17 CFR 240.17ad-22(e)(7).

file such comments 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/rules-regulations/how-submit-comment. 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 (www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NSCC-2026-009 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-2026-009. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (www.sec.gov/rules/sro.shtml). Copies of the filing will be available for inspection and copying at the principal office of NSCC and on DTCC's website (www.dtcc.com/legal/sec-rule-filings). 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-2026-009 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.⁴⁵

Secretary

⁴⁵ 17 CFR 200.30-3(a)(12).

EXHIBIT 3

The information contained in this Exhibit 3 is subject to exemption from mandatory disclosure under Exemptions #4 and #8 of the Freedom of Information Act because the information concerns (i) trade secrets and commercial or financial information that is privileged or confidential and (ii) the supervision of National Securities Clearing Corporation (“NSCC”), which is a financial institution. This Exhibit 3 contains one or more electronic files embedded in a one-page document for filing efficiency, as listed below. The information contained in the embedded file or files is not intended for public disclosure. Accordingly, this Exhibit 3 has been redacted and confidential treatment requested pursuant to 17 CFR 240.24b-2. An unredacted version was filed separately and confidentially with the Securities and Exchange Commission.

This exhibit includes confidential supporting information concerning the proposed rule change, which consists of responses to Commission staff requests for additional information concerning earlier versions of the proposal.

Embedded File(s):

- NSCC’s Responses to Commission Staff Request for Additional Information Issued on April 16, 2024, with Respect to an Earlier Version of the Proposal:
 1. NSCC Response to SEC Staff Information Request Concerning Draft SLD Proposal dated June 6, 2024; 4 pages.
 2. Daily Liquidity Study Glossary and Reference; 5 pages.
 3. LRM Procedures – Section 4 Excerpt; 4 pages.
- NSCC’s Responses to Commission Staff Request for Additional Information Issued on July 18, 2024, with Respect to an Earlier Version of the Proposal:
 4. NSCC Response to SEC Staff Information Request Concerning Draft SLD Proposal dated November 7, 2024; 4 pages.
 5. Impact Analysis; spreadsheet.

PAGE REDACTED IN ITS ENTIRETY

Bold and underlined text indicates proposed added language.

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

**NATIONAL SECURITIES CLEARING CORPORATION
RULES & PROCEDURES**

RULE 4A. SUPPLEMENTAL LIQUIDITY DEPOSITS

SEC. 1. *Overview.* ~~The Corporation requires sufficient liquidity to enable it to effect the settlement of its payment obligations as a central counterparty and to meet its regulatory obligations. A substantial proportion of the liquidity needed by the Corporation for these purposes is attributable to the exposure presented to the Corporation by its Members who would generate the largest settlement debits in stressed market conditions.~~ In order to ensure that the Corporation has sufficient liquidity to meet its payment and regulatory obligations, **such the Corporation may require** Members **shall to** provide supplemental liquidity deposits to the Clearing Fund to supplement the Corporation's other sources of liquidity pursuant to this Rule 4(A). ~~This Rule 4A describes how such supplemental liquidity deposits to the Clearing Fund shall be calculated and provided.~~

SEC. 2. *Defined Terms.* The following terms shall have the meanings specified below for purposes of this Rule 4A:

"Affiliated Family" means a group of Members, excluding from the group any Member that is a securities clearinghouse, depository, exchange or other market infrastructure, in which each Member in the group is an Affiliate of at least one other Member in the group.

"Daily Liquidity Need" means, on any Business Day, the payment obligations of the Corporation as a central counterparty, as calculated and determined by the Corporation, for all **observed start-of-day,** ~~projected same day,~~ intraday and multiday settlement activity (where appropriate), assuming the default on that day of an Unaffiliated Member or Affiliated Family. **This payment obligation is the anticipated net liquidity need after all permitted long allocations, cross-account netting and actual or anticipated deliveries into the CNS night cycle.**

~~"Intraday Supplemental Liquidity Call" has the meaning given to such term in Section 7 below.~~

~~"Lookback Period" means the 24 month period (or longer period as determined by the Corporation in its discretion) prior to each Business Day.~~

~~"Options Expiration Activity Period" means the period (i) beginning at the opening of business on the Friday preceding the Saturday that is the monthly expiration date for stock options (or the Business Day before that if such Friday is not a Business Day) and (ii) ending at the close of business on the Settlement Date following such date. If the monthly expiration date for stock options is changed to a Friday, the "Options Expiration Activity Period" shall mean the period (i) beginning at the opening of business on such Friday (or the Business Day before that if such Friday is not a Business Day) and (ii) ending at the close of business on the Settlement Date following such date.~~

~~"Peak Liquidity Need" has the meaning given to such term in Section 3 below.~~

“Qualifying Liquid Resources” means, as of each Business Day, the liquid resources available to the Corporation to enable it to settle its payment obligations as a central counterparty in stressed market conditions (as described below), which may include (i) a commitment to lend under a committed line of credit maintained by the Corporation to enable it to satisfy losses and liabilities incident to the operation of its clearance and settlement business; (ii) actual deposits to its Clearing Fund, including Supplemental Liquidity Deposits; and (iii) any other prefunded or committed liquidity resources that the Corporation may use to settle its payment obligations as a central counterparty. ~~Qualifying Liquid Resources would not include Supplemental Liquidity Deposits for purposes of this Rule 4(A).~~ In order to simulate stressed market conditions, the Corporation would apply assumptions to the size and availability of its Qualifying Liquid Resources when applying these resources in the calculations made under this Rule 4(A).

~~“Supplemental Liquidity Deposit” or “SLD” shall have the meaning given to such term in Section 5 and shall include any amount deposited to the Clearing Fund in satisfaction of (i) a Supplemental Liquidity Obligation (pursuant to Section 4 below) or (ii) an Intraday Supplemental Liquidity Call (pursuant to Section 7 below). All Supplemental Liquidity Deposits shall be made in cash by wire transfer to an account designated by the Corporation~~means a deposit made to the Clearing Fund by a Supplemental Liquidity Provider in an amount equal to its start-of-day or intraday SLD Obligations.

~~“Supplemental Liquidity SLD Obligation” has the meaning given to such term in Section 4 below~~means, on any Business Day, the amount of SLD required to be provided by a Supplemental Liquidity Provider, on a start-of-day or intraday basis, as determined by the Corporation in accordance with this Rule 4A.

~~“Supplemental Liquidity Provider” has the meaning given to such term in Section 3 below~~means an Unaffiliated Member or Affiliated Family with a Daily Liquidity Need as determined by the Corporation in accordance with Section 3 below.

“Unaffiliated Member” means a Member that (i) is not in any Affiliated Family and (ii) is not a securities clearinghouse, depository, exchange or other market infrastructure.

Capitalized terms that are used but not defined in this Rule 4A shall have the meanings given to such terms elsewhere in these Rules.

~~Supplemental Liquidity~~SLD Obligations

SEC. 3. *Supplemental Liquidity Providers.* On each Business Day, the Corporation shall determine the ~~“Peak Liquidity Need”~~Daily Liquidity Need of each Unaffiliated Member and Affiliated Family, ~~which shall be:~~

- a. ~~For Unaffiliated Members, the largest Daily Liquidity Need that the Corporation would have in the event of the default of such~~

~~Unaffiliated Member on any Business Day during the Lookback Period.~~

- b. ~~For Members of an Affiliated Family, the largest Daily Liquidity Need that the Corporation would have in the event of the default of such Member on any Business Day during the applicable Lookback Period; and with respect to an Affiliated Family, the largest Daily Liquidity Need that the Corporation would have in the event of the simultaneous default of all Members of that Affiliated Family on any Business Day during the Lookback Period.~~

The 30 (or fewer) Unaffiliated Members or Affiliated Families with the largest Peak Daily Liquidity Needs during the Lookback Period over a 24-month lookback period shall be “Supplemental Liquidity Providers” for that Business Day.

SEC 4. ~~Supplemental Liquidity~~ SLD Obligations.

- a. ~~On each Business Day, each Supplemental Liquidity Provider shall have a supplemental liquidity obligation to the Corporation (a “Supplemental Liquidity Obligation”) determined in accordance with the following formula:~~

~~A = B minus C, where --~~

~~A~~ is the Supplemental Liquidity Obligation of such Supplemental Liquidity Provider; On each Business Day, the Corporation shall determine the SLD Obligation of each Supplemental Liquidity Provider based on the difference between

~~B~~ is (i) the Daily Liquidity Need for the Supplemental Liquidity Provider calculated for that Business Day; and

~~C~~ is (ii) the sum of all Qualifying Liquid Resources available to the Corporation on that Business Day assuming stressed market conditions.

- b. ~~If two or more Supplemental Liquidity Providers have a Supplemental Liquidity Obligation of more than \$2 billion, as determined pursuant to subsection a. above, the Corporation may, in its sole discretion, determine the Supplemental Liquidity Obligation of each Supplemental Liquidity Provider as its pro rata share of the largest Supplemental Liquidity Obligation calculated for that Business Day.~~ SLD Obligations are determined based on (i) observed Daily Liquidity Needs, to be collected on a start-of-day basis; and (ii) projected Daily Liquidity Needs, as described in Section 5 of this Rule 4A, to be collected on an intraday basis.

- c. The Corporation may adjust SLD Obligations to ensure sufficient liquidity resource coverage within the Corporation’s liquidity risk tolerance. The Corporation shall assess the liquidity risk tolerance thresholds used to adjust

SLD Obligations on at least an annual basis and will communicate any changes to such thresholds in advance to potential Supplemental Liquidity Providers.

SEC. 5. Projected Daily Liquidity Needs.

a. When calculating and determining the Corporation's projected Daily Liquidity Needs to determine intraday SLD Obligations, the Corporation may take into consideration factors including, but not limited to: (i) a Member's projected or anticipated trading or settlement activity as communicated to the Corporation by the Member, The Options Clearing Corporation, a Qualified Clearing Agency or Registered Clearing Agency offering trade matching services, an Index Receipt Agent, or any other person authorized to submit transaction information for such Member; (ii) projected netting activity using open positions for that Member; and (iii) anticipated deliveries from a Member's free inventory at the Member's Designated Depository into the next CNS night cycle, after consideration of applicable long allocation projection offsets and cross-account netting.

b. The Corporation shall assume the completeness and accuracy of all information concerning a Member's projected or anticipated trading or settlement activity that is provided to the Corporation by the Member, The Options Clearing Corporation, a Qualified Clearing Agency or Registered Clearing Agency offering trade matching services, an Index Receipt Agent, or any other person authorized to submit transaction information for such Member, and the Corporation may directly incorporate such information into its Daily Liquidity Need calculations via automated processes.

c. In order for the Corporation to appropriately consider anticipated deliveries from a Member's free inventory into its Daily Liquidity Need projections, the Member shall identify to the Corporation in writing, and in such form, time and manner as required by the Corporation, an aggregate value of its existing free inventory that is recorded in the subaccounts of the Member with delivery obligations into the CNS night cycle scheduled to run on that Business Day. Any Member identifying such anticipated deliveries for consideration in the Corporation's Daily Liquidity Need projections represents to the Corporation that (i) it shall make best efforts to manage such inventory such that it continues to be recorded within a specified subaccount of the Member through the start of the immediate next CNS night cycle; and (ii) it shall not take any action that would prohibit the delivery of such inventory into the immediate next CNS night cycle. The Corporation may, in its sole discretion, consider all or part of the identified inventory in its Daily Liquidity Need projections.

SEC. 6. Allocation of SLD Obligations.

If two or more Supplemental Liquidity Providers present a Daily Liquidity Need resulting in an SLD Obligation, the Corporation will determine the SLD Obligation amount of each Supplemental Liquidity Provider as its pro rata share of the largest SLD Obligation calculated for the Business Day (whether start-of-

day or intraday); provided that the Corporation may collect the total amount of each Supplemental Liquidity Provider's individual SLD Obligations if the Corporation determines that such action is necessary for the protection of the Corporation, participants, investors or creditors.

Satisfaction and Return of Supplemental Liquidity Deposits

SEC. 7. Notice of SLD Obligations. On each Business Day, the Corporation shall provide each Supplemental Liquidity Provider with the amount of its start-of-day and intraday SLD Obligation for that Business Day, where applicable.

~~SEC. 58. Satisfaction of Supplemental Liquidity SLD Obligations. In satisfaction of its Supplemental Liquidity Obligation to the Corporation, a Supplemental Liquidity Provider shall make a supplemental liquidity deposit (a "Supplemental Liquidity Deposit") to the Clearing Fund in an amount equal to its Supplemental Liquidity Obligation. Members shall satisfy SLD Obligations by making a Supplemental Liquidity Deposit to the Corporation within the time prescribed by the Corporation or, in the absence thereof, within one hour of the Corporation's issuance of notice of such obligation. All Supplemental Liquidity Deposits shall be made in cash by wire transfer to an account designated by the Corporation.~~

~~SEC. 6. Notice of Supplemental Liquidity Obligations and Payment of Supplemental Liquidity Deposits. On each Business Day, the Corporation shall provide each Supplemental Liquidity Provider with the amount of its Supplemental Liquidity Obligation for that Business Day. Such notice shall state if the Supplemental Liquidity Obligation was calculated pursuant to Section 4b of this Rule. Within one hour of demand, unless otherwise determined by the Corporation, a Supplemental Liquidity Provider shall make its Supplemental Liquidity Deposit to the Clearing Fund.~~

Intraday Supplemental Liquidity Calls

~~SEC. 7. Determination of Intraday Supplemental Liquidity Calls.~~

~~a. If, on the first Business Day of an Options Expiration Activity Period, the Corporation observes an increase in its Daily Liquidity Need, the Corporation shall call on the Supplemental Liquidity Providers whose increase in activity levels or projected settlement activity with respect to monthly expiration of stock options caused (or was the primary cause of) such increase in the Daily Liquidity Need of the Corporation to deposit to the Clearing Fund, as an addition to its Supplemental Liquidity Deposit, an amount equal to the difference between (i) the Daily Liquidity Need of the Corporation on such Business Day, adjusted to account for such increased activity levels and projected settlement activity, and (ii) the sum, on such Business Day, of all Qualifying Liquid Resources assuming stressed market conditions (an "Intraday Supplemental Liquidity Call"). For~~

~~purposes of this Section 7a, the Corporation would adjust the re-calculated Daily Liquidity Need using an estimated netting percentage that is based on that Supplemental Liquidity Provider's average percentage of netting observed over the prior 24 months.~~

~~b. If, on any Business Day other than the first Business Day of an Options Expiration Activity Period, the Corporation observes an increase in its Daily Liquidity Need, the Corporation shall be entitled to call on the Supplemental Liquidity Providers whose increase in activity levels caused (or was the primary cause of) such increase in the Daily Liquidity Need of the Corporation to deposit an Intraday Supplemental Liquidity Call in an amount equal to the difference between (i) the Daily Liquidity Need of the Corporation on such Business Day, adjusted to account for such increased activity levels, and (ii) the sum, on such Business Day, of all Qualifying Liquid Resources assuming stressed market conditions.~~

~~SEC. 8. Satisfaction of Intraday Supplemental Liquidity Calls. Unless otherwise determined by the Corporation within one hour of demand of an Intraday Supplemental Liquidity Call from the Corporation, a Member shall make an additional Supplemental Liquidity Deposit to the Clearing Fund in the amount of the Intraday Supplemental Liquidity Call.~~

~~Returns of Special Activity Supplemental Liquidity Deposits~~

~~SEC. 9. Deposits Made in Satisfaction of a Supplemental Liquidity ObligationReturn of Supplemental Liquidity Deposits. A Supplemental Liquidity Provider shall be entitled to a return of the amount of its Supplemental Liquidity Deposit made in satisfaction of a Supplemental Liquidity Obligation or Intraday Supplemental Liquidity Call, payable on the Business Day following the Business Day on which the Supplemental Liquidity Deposit was made, unless otherwise notified by the Corporation. Upon the request of a Member, the Corporation will return its Supplemental Liquidity Deposit; provided that the Corporation may retain all or any amount of such Supplemental Liquidity Deposit the Corporation deems necessary to cover observed or projected liquidity obligations of such Member to the Corporation, assuming the default on that day of such Member or Affiliated Family.~~

SEC. 10. *Ceasing to be a Participant.* Supplemental Liquidity Deposits shall be subject to the provisions of Section 7 of Rule 4 relating to the refund of deposits to the Clearing Fund when a Member ceases to be a participant.

Miscellaneous Matters

SEC. 11. *Obligations of Affiliated Families and Supplemental Liquidity Providers.*

a. The ~~Supplemental Liquidity~~**SLD** Obligations of an Affiliated Family shall be the several obligations of all of the Members of the Affiliated Family ratably in proportion to their applicable **Daily** Liquidity Need.

b. In the event of any failure of a Supplemental Liquidity Provider to satisfy a ~~Supplemental Liquidity~~**SLD** Obligation in full when due, the Corporation may (i) debit the amount of any such deficiency to the account of such Member, (ii) collect such amount in system wide settlement, and (iii) credit such amount as a Supplemental Liquidity Deposit for the account of such Member. The Corporation may also exercise any and all of its other default rights under these Rules.

SEC. 12. Application of Supplemental Liquidity Deposits.

a. A Supplemental Liquidity Deposit of a Member may not be withdrawn by the Member unless it is entitled to a return of such deposit pursuant to Sections 9 or 10 above. Notwithstanding Sections 9 and 10 of this Rule, the Supplemental Liquidity Deposit of a Member may be held by the Corporation pursuant to Section 9 of Rule 4.

b. A Supplemental Liquidity Deposit of a Member shall form a part of the actual deposit of the Member to the Clearing Fund but shall be in addition to, and separate from, (i) the Required Fund Deposit of the Member and (ii) any other deposit of the Member to the Clearing Fund.

c. A Supplemental Liquidity Deposit of a Member (i) may be invested, paid, applied and loaned as provided in Section 2 of Rule 4 and (ii) may be used to satisfy a loss or liability as provided in Section 3 of Rule 4.

d. A Supplemental Liquidity Deposit of a Member may not be used to calculate or be applied to satisfy any pro rata charge pursuant to Section 4 of Rule 4.

~~SEC. 13. Information. To enable Supplemental Liquidity Providers to understand and manage their obligations to the Corporation, o~~**On** each Business Day, the Corporation shall make available to each Supplemental Liquidity Provider the amount of the Daily Liquidity Need that the Corporation would have had in the event of the default of such Member on the preceding Business Day and the amount of Qualifying Liquid Resources on deposit for such Business Day.

SEC. 14. Member Reporting and Notification Requirements.

a. Each Member is required to manage its liquidity needs to the Corporation. Specifically, each Member is expected to track its settlement activities that generate liquidity needs across all trading desks, systems, and platforms and notify the Corporation of anticipated significant changes in such activity. Each Member shall also identify contact persons responsible for responding to the Corporation's inquiries concerning settlement activity and liquidity management and shall confirm or update such contacts on at least an annual basis.

b. The Corporation may require Members to provide additional reports or information concerning their anticipated trading and settlement activity as the Corporation may deem necessary or advisable to accurately project its Daily Liquidity Needs. Members shall provide such requested reports and information

in the time, form and manner specified by the Corporation and shall completely and accurately provide all requested information. With respect to Index Receipt Agents, such reporting shall include daily automated reporting of anticipated creation and redemption activity between such Index Receipt Agent and authorized participants.

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