March 31, 2026

VIA ELECTRONIC TRANSMISSION
Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE Washington, DC 20549-1090

Re: Paxos Securities Settlement Company, LLC; Notice of Filing of an Application for Registration as a Clearing Agency Under Section 17A of the Securities Exchange Act of 1934 (File No. 600-39)

Dear Ms. Countryman:

The Depository Trust & Clearing Corporation ("DTCC") appreciates the opportunity to provide comments to the Securities and Exchange Commission ("Commission" or "SEC") on its notice of a filing by the Paxos Securities Settlement Company, LLC ("PSSC" or "Paxos") for registration as a clearing agency under Section 17A of the Securities Exchange Act of 1934 ("Exchange Act").

Background

DTCC is the parent company of, among other subsidiaries, the Depository Trust Company ("DTC") and the National Securities Clearing Corporation ("NSCC"), which are covered clearing agencies registered, regulated, and supervised by the SEC. DTC is a central securities depository that provides settlement services and corporate action services for virtually all equity, corporate and municipal debt trades, and money market instruments in the United States.[1] NSCC is a central counterparty ("CCP") that provides clearing, settlement, risk management, and CCP services for trades involving equities, corporate and municipal debt, exchange-traded funds, and unit investment trusts in the United States.[2]

Discussion

DTCC supports the development of innovative solutions to enhance the efficiency and effectiveness of financial markets, including any that would address existing market inefficiencies. As an industry-owned infrastructure for the centralized clearance and settlement of securities transactions, our mission is to support the stability of the financial markets and facilitate operations that are essential to the markets we serve.[3] Fundamental to our ability to provide such services is our standardized set of rules, procedures, controls, and operations, which is applicable across our participants and must be clearly articulated in order for participants (and other relevant stakeholders) to understand the benefits and risks of participation. These

[1] DTC is a licensed as a New York Limited Purpose Trust Company and state member bank of the Federal Reserve System and, as such, is subject to supervision and examination by the New York State Department of Financial Services and the Federal Reserve Bank of New York under delegated authority from the Board of Governors of the Federal Reserve System.
[2] Further, DTC and NSCC have been designated as a systemically important financial market utility ("SIFMU") by the Financial Stability Oversight Council pursuant to Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
[3] DTC offers a wide array of services for processing corporate action events for the approximately 1.4 million active securities eligible at the depository. These services include announcing details of upcoming events and providing participants with information about their entitlements, accepting and acting on their instructions, and collecting, allocating, and reporting payments across various corporate action event types, including distributions, redemptions, and reorganizations.

practices are governed by clear and rigorous requirements established by the SEC, including the risk-management standards applicable to covered clearing agencies ("CCAS").[4]

As we understand that PSSC expects to leverage participation in DTC to enable its clearance and settlement operations, we offer a few general and specific considerations for the Commission's review. In general, given that PSSC anticipates becoming a DTC participant, it would be subject to the relevant rules and operations of the DTC ecosystem. This would include an evaluation of PSSC against DTC's risk-based membership access and monitoring requirements, relevant ongoing risk-management requirements (e.g., operational risk, link arrangement), technical connectivity requirements, and any operations related to equities clearance and settlement, as well as those related corporate actions processing. We anticipate working with PSSC as we would with any other potential participant through the onboarding process and ongoing operations.

Corporate actions processing

We believe PSSC's description around corporate actions processing warrants additional consideration and potential clarification. We understand from the filing that corporate actions regarding PSSC-Eligible Securities would be expected to be processed by DTC (presumably through its normal procedures) and not by PSSC. To achieve this, PSSC would expect its participants to provide:

> "a standing instruction to the Company to transfer any Eligible Security from the Participant Account of the Participant to the DTC Account of the Participant that has been designated by the Participant *prior to* any record date for a corporate action for such Eligible Security" (emphasis added).[5]

We note that PSSC may still encounter corporate actions processing challenges using this approach. In DTC's experience, not all corporate actions events are known ex-ante or known with sufficient notice to be handled ex-ante (even as a matter of current normal market practice).[6] To this end, PSSC may be allocated an entitlement (e.g., dividend payment, interest payment, securities payment) instead of the appropriate PSSC participant, should that participant not know ex-ante whether to transfer a given security out of the Paxos environment and back into its own DTC account. This could require reconciliation and potential claims by the impacted participant. PSSC's application materials would benefit from addressing how PSSC would handle such a scenario. As offered to all DTC participants, DTC stands ready to engage with PSSC and provide additional insight regarding DTC's corporate actions process as outlined in our Rulebook and Service Guides.[7]

Netting and delivery versus payment (DVP) settlement

Netting and DVP settlement are key components of PSSC's proposed operations and relevant to a number of standards covered by the CCAS, such as DVP settlement, settlement finality, and liquidity risk management.[8] Based on the information provided in the filing, it is not clear how PSSC may achieve "delivery versus payment settlement, on a bilateral [and, in most cases, netted] basis, of Settlement Obligations between Counterparty Pairs"[9] in certain circumstances related to (1) trades that participants agree to settle on trade date, and (2) trades that have been netted through the Enhanced Netting mechanism.

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[4] A "covered clearing agency" is defined as any registered clearing agency that provides the services of a central counterparty or central securities depository (see 12 CFR 240.17ad-22).
[5] PSSC Exhibit E-12, Rule 3A: Corporate Actions, https://www.sec.gov/files/rules/other/2026/pssc-form-ca-1-exhibit-e-12-amend1.pdf and Exhibit J, page 30, https://www.sec.gov/files/rules/other/2026/pssc-form-ca-1-exhibit-j-amend1.pdf.
[6] For certain mandatory events, exchanges may announce day-prior or same-day effective dates for corporate actions.
[7] The DTC Rulebook and relevant Service Guides are available at https://www.dtcc.com/legal/rules-and-procedures.
[8] See 17 CFR 240.17ad-22(e)(12), 17 CFR 240.17ad-22(e)(8), and 17 CFR 240.17ad-22(e)(7).
[9] PSSC Exhibit J, page 3.

Clearer articulation of how these circumstances are managed is important to demonstrating observance with the relevant CCAS standards.

PSSC expects to allow participants the flexibility of settling trades on a variety of time frames ranging from end-of-day on trade date (T) to any number of days after T. Our understanding is that trades will be netted unless there is express instruction from the participants to settle a trade on a gross basis. Further, netting is expected to occur throughout the day, with the creation of an "end-of-day bilateral net Settlement Obligation" per Counterparty Pair for settlement beginning 12 a.m. each Settlement Day.[10, 11] It seems settlement would end each day by 3:10 p.m., the Daily Settlement Cut-Off Time. If our understanding is correct, it is unclear how trades submitted for settlement on trade date (T) would be handled should there be no express instruction for gross settlement. There did not seem to be information in the application materials addressing the final settlement of trades that are submitted for end-of-day T settlement, including in the rule excerpts that were shared regarding netting and settlement. Clarification is likely necessary regarding how these trades would be processed and the point at which these trades are considered settled with finality.

Through its Enhanced Netting feature, PSSC expects to offer netting on a multilateral basis following its standard bilateral netting by Counterparty Pair upon completion of its Ramp-Up Period.[12] Without a CCP to novate netted obligations, multilateral netting would seem to create a potential need to conduct DVP settlement for more than two linked obligations. In other words, to achieve delivery versus payment for settlement obligations that are calculated through multilateral netting, one would expect under CCAS's DVP standard that the final settlement of each obligation would be conditioned upon the final settlement of the other obligations (i.e., all linked obligations settle or none do).[13] Based on our understanding of the filing, it is unclear whether such conditioning mechanism is employed (or employed fully). More specifically, although PSSC expects to settle all obligations within an Enhanced Netting group simultaneously, it appears that PSSC also envisions the ability to partially settle obligations within the group for a period of time, should a group member fail to make sufficient Operating Cash or Eligible Securities available for settlement by the 3:10 p.m. daily cut off. When a participant fails to deliver Operating Cash (which we understand to mean failure to meet its payment obligation when due), these outstanding obligations would then seem to be prioritized in later settlement cycles.[14] If we understood the materials correctly, this approach introduces ambiguity in two respects – (1) whether final settlement may proceed as usual for linked obligations within a group that are not affected by the group member(s) who failed to sufficiently prefund while the affected linked obligations are awaiting settlement; and (2) to the extent the affected linked obligations are being processed on later settlement days, it would be unclear how PSSC can demonstrate that it achieves same-day settlement of payment obligations in the relevant currency. Further clarification is likely necessary regarding how final settlement occurs on a multilateral basis, particularly as the application materials generally reference "bilateral" DVP settlement by Counterparty Pair.

Recovery and orderly wind-down planning

We note that the application materials may have conflated the different concepts of "recovery" addressed in recovery and orderly wind-down planning under the CCAS standards of (e)(3), (e)(4), (e)(7), and (e)(15) and business continuity and disaster recovery ("BC/DR") planning under the CCAS standard of (e)(17) and

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[10] PSSC Exhibit J, page 3.
[11] PSSC Exhibit J, page 25.
[12] Our understanding is that PSSC expects to implement a Ramp-Up Period immediately upon any approval of registration by the Commission during which it would limit operations in two ways: (1) the number of participants would be limited to no more than 10 and (2) the Enhanced Netting feature would not be permitted (PSSC Exhibit J, page 37).
[13] DVP is generally considered from the perspective of the settlement of two linked obligations, conditioning the final settlement of one obligation upon the final settlement of the other in order to eliminate principal risk (as described in section (e)(12) of the CCAS). We modified this conditioning statement to be inclusive of more than two linked obligations.
[14] PSSC Exhibit J, page 25.

Regulation Systems Compliance and Integrity ("Reg SCI").[15] The former type of planning addresses financial risk scenarios under which the covered clearing agency's viability as a going concern (i.e., financial condition) may be jeopardized, with a key mitigating measure being holding or replenishing appropriate financial resources. The latter type of planning addresses more typical operational risk scenarios, such as those covered under the Reg SCI (e.g., operational disruptions, cyber intrusion events). PSSC's filing seems to address recovery only from the BC/DR perspective and orderly wind-down planning only with respect to the procedures it would take to wind down operations and not the financial resources it would hold to fund such a wind down. Further clarification is likely necessary around PSSC's recovery and orderly wind-down planning.

Conclusion

DTCC appreciates the opportunity to provide comments on this filing and your consideration of the views expressed in this letter. DTCC welcomes the opportunity for further discussions and engagement on the comments we raised. If you have any questions or need further information, please contact me at bsteele@dtcc.com.

Sincerely,

Signed by:
Brian Steele
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Brian Steele
Managing Director
President, DTCC Clearing & Securities Services

[15] PSSC Exhibit J, page 30.