



April 16, 2026

VIA ELECTRONIC TRANSMISSION

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F. Street NE
Washington, D.C. 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:

Introduction

This letter is submitted by Paxos Securities Settlement Company, LLC (“Paxos”) in response to a short, three-page comment letter recently submitted by The Depository Trust & Clearing Corporation (“DTCC”) on March 31, 2026 (“DTCC Letter”) regarding Paxos’s application for clearing agency registration that was filed on July 14, 2025 (“Application”). The DTCC Letter was submitted late in the application process — especially considering that it provides comments on materials that were included in the initial filing of the Application.

The Application received one other comment letter last fall, on October 7, 2025, from Robinhood Markets, Inc. (“Robinhood”), which expressed support for the Application.¹ In it, Robinhood stated its belief that competition with DTCC by Paxos “can help lower costs, accelerate the transition toward real-time settlement, and ultimately reduce expenses for retail investors” and that, in connection with Paxos’s planned clearing agency operations, “retail investors should benefit from faster settlement, lower costs, and enhanced transparency.”

Background

Paxos filed the Application on July 14, 2025. The U.S. Securities and Exchange Commission (“Commission” or “SEC”) issued a notice of the Application on August 1,

¹ The comments on the Application are publicly available on the SEC website: <https://www.sec.gov/comments/600-39/600-39.htm>. The comment file also includes notice of a meeting between SEC staff and DTCC staff on April 9, 2026.



2025. Comments on the Application were due by September 22, 2025.² The Commission later instituted proceedings regarding the Application on November 4, 2025, and it provided another public comment period that ended on December 8, 2025.³ On January 30, 2026, the Commission provided notice to the public that it had designated a longer period for Commission action on the proceedings, extending such date to May 3, 2026.⁴ Paxos subsequently submitted certain amendments to its Application on February 27, 2026, and the SEC issued a notice of those amendments on March 11, 2026. In its notice, the SEC once again provided an additional comment period to solicit comments on the amendments, ending on April 6, 2026, and also gave notice of the Commission’s final action date of May 28, 2026.⁵

Timing of DTCC’s Letter

Despite the SEC issuing its notice of the Application on August 1, 2025 and providing numerous subsequent opportunities for the public to review and comment on the Application, as described above, DTCC did not submit any comments on the Application until March 31, 2026 — nearly eight months after its initial publication and less than two months prior to the SEC’s final action date. It is also notable that none of DTCC’s comments concern aspects of the Application that Paxos recently amended. Instead, all of the comments pertain to the initial Application and therefore could have been provided to the SEC, Paxos and the public any time after the comment file for the initial Application was opened on August 1, 2025.

Moreover, Paxos and DTCC are currently engaged in direct discussions as part of Paxos’s application to become a participant in The Depository Trust Company (“DTC”). Despite this, DTCC did not convey these comments to Paxos prior to submitting the DTCC Letter to the SEC’s public comment file. Paxos is nevertheless happy now to address DTCC’s comments, and Paxos welcomes good faith engagement with DTCC regarding Paxos’s DTC application and planned clearing agency operations as a new market entrant.

DTCC Letter Comments

² Securities Exchange Act Release No. 103624 (August 1, 2025), 90 FR 37940 (August 6, 2025), <https://www.govinfo.gov/content/pkg/FR-2025-08-06/pdf/2025-14859.pdf>.

³ Securities Exchange Act Release No. 104174 (November 4, 2025), 90 FR 51416 (November 17, 2025), <https://www.govinfo.gov/content/pkg/FR-2025-11-17/pdf/2025-19914.pdf>.

⁴ Securities Exchange Act Release No. 104757 (January 30, 2026), 91 FR 4974 (February 3, 2026), <https://www.govinfo.gov/content/pkg/FR-2026-02-03/pdf/2026-02197.pdf>

⁵ Securities Exchange Act Release No. 104977 (March 11, 2026), 91 FR 12660 (March 16, 2026), <https://www.govinfo.gov/content/pkg/FR-2026-03-16/pdf/2026-05026.pdf>.



The DTCC Letter commented on three areas of the Application. Those comments and Paxos’s responses are addressed immediately below.

Corporate Actions Processing

The DTCC Letter correctly identifies that, under Rule 3A of the Paxos Rules, Paxos participants would provide a standing instruction to Paxos to transfer any eligible security from the participant’s Paxos participant account to a DTC account designated by the participant prior to any record date for a corporate action.⁶ As part of Paxos’s planned initial operations, this design is meant to promote processing of corporate actions through DTC rather than through Paxos. However, without providing details or examples, DTCC generally notes that it believes that there could be circumstances in which corporate action events may not be known with sufficient prior notice for this approach to work in all cases. Without details or examples of any such circumstances, it is unclear why DTCC believes that Paxos’s corporate actions process requires additional consideration or further clarification. That said, we note two overarching points that we believe provide helpful context. First, because the Paxos participant is providing a standing instruction to Paxos, Paxos would be positioned to act as soon as it receives notice of the corporate action from DTC. Accordingly, provided that DTC provides timely notice, Paxos should be able to take timely action. Second, coordinating on corporate actions that involve little prior notice to the marketplace is not unique to the Paxos corporate actions process, and we believe any related challenges can be resolved between DTC and Paxos. We note, for example, that in the recent no-action relief granted to DTC by the SEC for tokenization of security entitlements, there is a similar (though not identical) concept — specifically, the no-action letter materials state that “[i]n certain instances, a [DTC] Participant may need to issue a de-tokenization instruction or DTC may need to force convert the Tokenized Entitlement into a Book-Entry Entitlement in order to receive a distribution or replacement security or to issue instructions in relation to the corporate action.”⁷ For this reason, the structure of the DTCC Tokenization Services may present a similar timing issue for DTC with respect to certain corporate actions.

In any case, Paxos appreciates the DTCC Letter’s statement that DTC stands ready to engage with Paxos and provide additional insight on its corporate actions process. Paxos looks forward to this direct engagement and to meeting with DTCC to better understand from its representatives, with actionable specificity, any real-life examples that DTCC can identify that may be necessary for Paxos to address in operations-level procedures when onboarding as a DTC participant.

⁶ Paxos Application, Exhibit E.12. (Rule 3A).

⁷ The Depository Trust & Clearing Corporation, SEC Staff No-Action Letter at 10 (December 11, 2025), <https://www.sec.gov/files/tm/no-action/dtc-nal-121125.pdf>.



Netting and Delivery Versus Payment (DVP) Settlement

The DTCC Letter also provided comments on Paxos’s planned bilateral netting and enhanced netting processes.

Regarding bilateral netting, the DTCC Letter correctly observes that “trades will be netted unless there is express instruction from the participants to settle a trade on a gross basis.” However, DTCC then states, in relevant part, that it believes “it is unclear how trades submitted for settlement on trade date (T) would be handled should there be no express instructions for gross settlement” and “[c]larification is likely necessary regarding how these trades would be processed and the point at which these trades are considered settled with finality.” We respectfully submit that each of these points has been addressed in both the Paxos Rules and the narrative description of Paxos’s services and functions provided as Exhibit J of the Application.

Paxos Rule 4.11 states that unless each participant in a counterparty pair notifies Paxos that a specified transaction (or set of transactions) is to be settled on a gross basis, then the transaction(s) will be settled bilaterally on a net basis.⁸ This structure is also addressed in Paxos Rules 4.1A, which governs bilateral netting of transactions between a counterparty pair, and 4.3A, which addresses gross settlement of transactions for a counterparty pair.⁹ Importantly, this would be true for any transaction submitted for settlement — including a trade submitted for settlement on trade date (T). Under the Paxos Rules, the term “Daily Settlement Cut-Off Time” means 3:10 p.m. and would be the time by which a participant would be required to make sufficient cash or securities, as applicable, available in its Paxos participant account to effect timely settlement.¹⁰ The result of the interplay between these Rules and the Daily Settlement Cut-Off Time is that same-day settling trades accepted prior to the cut-off time would be incorporated in a participant’s bilateral net settlement obligation with its counterparty pair in that particular security. It also means that Paxos would not permit same-day settlement of trades that are accepted after the stated cut-off time — such transactions would instead be included in the relevant net settlement calculation for the following day. Paxos plans to clarify this cut-off time in procedures and its communications with its participants as part of the ramp-up period discussed in Section II.M. of Exhibit J.¹¹

Regarding enhanced netting, DTCC correctly identifies that Paxos will not offer enhanced netting until after completion of the ramp-up period described in Section II.M. of Exhibit J — which would be 22 months, at the soonest, following any approval of the Application by the

⁸ See Paxos Application, Exhibit E.12. (Rule 4).

⁹ See Paxos Application, Exhibit E.12. (Rule 4A).

¹⁰ See Paxos Application, Exhibit E.12. (Rule 1).

¹¹ See Paxos Application, Exhibit J.



Commission. However, the DTCC Letter also states the following in connection with Rule 17Ad-22(e)(12)¹² under the covered clearing agency standards (“CCAS”):

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

For its part, Rule 17Ad-22(e)(12) requires a covered clearing agency to establish, implement, maintain and enforce policies and procedures reasonably designed to, as applicable, “[e]liminate principal risk by conditioning the final settlement of one obligation upon the final settlement of the other, regardless of whether the covered clearing agency settles on a gross or net basis and when finality occurs if the covered clearing agency settles transactions that involve the settlement of two linked obligations.”¹⁴

As explained in the Application, enhanced netting would be a netting process that three or more participants could voluntarily elect to participate in where they have all chosen to be counterparty pairs to each other. Paxos Rule 4.2A and Section II.H.(ii) of Exhibit J, in particular, provide a description of enhanced netting and detailed examples of its intended function.¹⁵ These materials explain that enhanced netting would further net bilateral settlement obligations by and among counterparty pairs where such netting would not result in any increased settlement obligation or margin obligation to any of the relevant participants. This is illustrated through the detailed examples in Section II.H.(ii) of Exhibit J, which show how net settlement obligations produced through enhanced netting would supersede and replace the initial bilateral settlement obligations and would produce delivery obligations for each relevant participant participating in the process. As shown in Example 1, the resulting settlement obligations may — or may not — represent linked settlement obligations. Where the settlement obligations are linked (e.g., in Example 1 where Participant B delivers 500 shares of eligible security Z to Participant C and Participant C pays \$6,000 to Participant B), the finality of one would be linked to the other, consistent with Rule 17Ad-22(e)(12).¹⁶ Conversely, if settlement obligations are not linked (e.g., in Example 1 where Participant C receives \$1,000 from Participant A, but does not

¹² 17 C.F.R. § 240.17Ad-22(e)(12).

¹³ Footnotes omitted.

¹⁴ See *supra* note 12.

¹⁵ See Paxos Application, Exhibits E.12. (Rule 4A) and J.

¹⁶ See Paxos Application, Exhibit J.



deliver any shares of Z to Participant A), the settlement would not involve two linked obligations.

Recovery and Orderly Wind-Down Planning

The DTCC Letter generally notes that the Application “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 Regulation Systems Compliance and Integrity (‘Reg SCI’).” Importantly, however, DTCC does not say why it asserts that this conflation may exist in the Application materials — nor does it give any specific examples to support this assertion. As a general matter, Paxos agrees with DTCC’s high-level observation that the CCAS have certain different requirements that address financial risk scenarios and operational risk scenarios, respectively. However, this comment is difficult to respond to without a more detailed explanation of the basis for it.

Conclusion

Paxos appreciates the support in the public comment file from Robinhood, including Robinhood’s acknowledgement of the benefits that the planned Paxos settlement services could provide to the marketplace — and particularly to retail investors. We also appreciate the opportunity to respond to the comments raised in the DTCC Letter through the responses provided herein.

Please contact me at securities@paxos.com if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles Cascarilla".

Charles Cascarilla

Chief Executive Officer