



*Invested in America*

April 23, 2013

Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549

By Electronic Mail ([rule-comments@sec.gov](mailto:rule-comments@sec.gov))

Re: [Request for Extensions of Time for Commission's Determination and Public Comment on the National Securities Clearing Corporation Notice of Filing of Proposed Rule Change to Institute Supplemental Liquidity Deposits to Its Clearing Fund Designed to Increase Liquidity Resources to Meet Its Liquidity Needs \(Exchange Act Release No. 69313; File No. SR-NSCC-2013-02\)](#)

Dear Ms. Murphy:

The Securities Industry and Financial Markets Association (“**SIFMA**”) respectfully requests that the Securities and Exchange Commission (the “**Commission**”), pursuant to Section 19(b)(2)(A)(ii) of the Securities Exchange Act of 1934, as amended, extend the time period for the Commission’s determination with respect to the National Securities Clearing Corporation (“**NSCC**”) Notice of Filing of Proposed Rule Change to Institute Supplemental Liquidity Deposits to Its Clearing Fund Designed to Increase Liquidity Resources to Meet Its Liquidity Needs (Exchange Act Release No. 69313; File No. SR-NSCC-2013-02) (the “**NSCC SLD Proposed Rule Change**”) published in the Federal Register on April 10, 2013.<sup>1</sup> In addition, SIFMA requests that the deadline for public comment on the NSCC SLD Proposed Rule Change, currently May 1, 2013, be extended.

SIFMA brings together the shared interests of hundreds of securities firms, banks and asset managers, including firms that are self-clearing members of NSCC. SIFMA believes that the NSCC SLD Proposed Rule Change would have far-reaching impacts on market liquidity, systemic risk, and the business and capital models of a broad range of market participants, and that an extension of the time periods for the Commission’s determination and for public comment on the NSCC SLD Proposed Rule Change is appropriate in order to fully understand the proposed rule change and its market implications. These include, among others:

1. Impact on liquidity, competition and systemic risk: The NSCC SLD Proposed Rule Change would impose significant additional liquidity and capital requirements on NSCC members. For some NSCC members, the proposed rule change could result in a decision to exit self-clearing, which would impact competition and result in risk concentration. Both the limitations on NSCC members’ liquidity and risk concentration in the industry could have a potentially significant impact on systemic risk and liquidity. Moreover, it is unclear whether the proposed rule

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<sup>1</sup> 78 FR 21487 (April 10, 2013).

change would result in supplemental liquidity deposits from NSCC clearing members that are proportionate to the risks their activity creates, as the proposal seeks to address.

2. Disproportionate impact based on composition of liquidity deposits and calculation of contributions: The requirement under the NSCC SLD Proposed Rule Change concerning the collateral types to be deposited is problematic. In addition, the NSCC proposal includes the option to use commitments under a credit facility to offset any required cash deposits; however, certain types of firms are not able to participate in this facility. Moreover, future changes in the credit facility could impact the exposure of NSCC clearing firms with respect to supplemental liquidity deposits. The NSCC's proposed approach to determining which firms need to provide additional deposits also excludes many market participants, and may not reflect the actual risk generated by any given market participant, as noted above.

3. Sufficiency of information for market participants: Certain aspects of the NSCC SLD Proposed Rule Change, including the proposals regarding interim adjustments and calls and the lack of specificity regarding certain thresholds referenced in the proposed rule change, do not provide market participants with sufficient information for them to identify and evaluate the risks and costs associated with using NSCC's services.

4. Impact on other regulatory requirements: The NSCC SLD Proposed Rule Change, if implemented, could implicate treatment of deposits by NSCC clearing members with respect to regulatory capital and reserve requirements and may implicate other regulatory issues as well.

Given the complexity of the NSCC SLD Proposed Rule Change and the potential significance of its impact, SIFMA believes that the proposal warrants sufficient time for thorough analysis and consideration. Among other things, SIFMA member firms would appreciate additional time to consider possible alternatives that might better achieve the NSCC's stated goals while minimizing the potential negative effects of the changes. Accordingly, SIFMA respectfully requests that the periods for the Commission's determination and public comment on the NSCC SLD Proposed Rule Change be extended.

Please feel free to contact me at 212-313-1260 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas Price". The signature is written in a cursive, flowing style.

Thomas Price  
Managing Director, Operations, Technology & BCP