DTCC
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[redacted]

October 7, 2020

By Electronic Mail (rule-comments@sec.gov)

Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Response to Comment Letter Filed with the Commission Regarding File Nos. SR-NSCC-2020-016 and SR-NSCC-2020-804 (collectively, "Filings") by National Securities Clearing Corporation

Dear Ms. Countryman:

National Securities Clearing Corporation ("NSCC") appreciates the opportunity to respond to the comment letter submitted by Wilson-Davis & Co., Inc. ("Wilson-Davis")[1] to the Securities and Exchange Commission ("Commission") relating to a proposal by NSCC to amend the NSCC Rules & Procedures ("Rules")[2] to (1) introduce the Margin Liquidity Adjustment ("MLA") charge as a new component of the Clearing Fund, and (2) enhance the calculation of the volatility component of the Clearing Fund that utilizes a parametric Value-at-Risk ("VaR") model by including a bid-ask spread risk charge, as described in the Filings ("MLA Proposal").[3]

Wilson-Davis notes in the WDCO Letter that it also submitted comments regarding a separate NSCC proposal ("Margin Enhancement Proposal")[4] and that several of its comments to

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1 Letter from James C. Snow, President, Wilson-Davis & Co., Inc., dated September 10, 2020 ("WDCO Letter"), available at https://www.sec.gov/comments/sr-nscc-2020-016/srnscc2020016-7860221-223959.pdf.

2 Capitalized terms not defined herein are defined in the Rules, available at https://dtcc.com/~/media/Files/Downloads/legal/rules/nscc_rules.pdf.

3 See Securities Exchange Act Release Nos. 89558 (August 14, 2020), 85 FR 51521 (August 20, 2020) (File No. SR-NSCC-2020-0016); 89719 (September 1, 2020), 85 FR 55332 (September 4, 2020) (File No. SR-NSCC-2020-804).

4 See Securities Exchange Act Release Nos. 88474 (March 25, 2020), 85 FR 17910 (March 31, 2020) (File No. SR-NSCC-2020-003); 88615 (April 9, 2020), 85 FR 21037 (April 15, 2020) (File No. SR-NSCC-2020-802).

this Proposal are also set forth in its comment letters to the Margin Enhancement Proposal ("WDCO Margin Enhancement Comment Letters").[5]

NSCC agrees that the majority of Wilson-Davis' comments to the MLA Proposal were raised in the WDCO Margin Enhancement Comment Letters. Therefore, while these are separate proposals that, when implemented, would operate independently from each other, NSCC believes that many of the comments raised in the WDCO Letter have been addressed in substance in NSCC's response to the comment letters submitted to the Commission relating to the Margin Enhancement Proposal, including the WDCO Margin Enhancement Comment Letters ("NSCC Response").[6] We refer, specifically, to NSCC's general responses under the headings, "Impact on Small Members …", "Need for Increased Margin," and "Methodology and Impact Clarity."

NSCC would like to correct Wilson-Davis' comment on the potential impact of the MLA Proposal. On page 2 of the WDCO Letter, Wilson-Davis stated, "According to the one-quarter Model Enhancements Impact Study that NSCC provided recently, this proposal appears to double our current volatility charge," and then cited in footnote 2 to an impact study for the period between June 3, 2019 and August 30, 2019. The impact study cited was provided to Wilson-Davis in April 2020 did not include any potential impacts of the MLA Proposal. The impacts referred to in the WDCO Letter relate to the Margin Enhancement Proposal.

In August 2020, NSCC provided all NSCC Members with the results of an impact study regarding the potential impacts of both the Margin Enhancement Proposal and the MLA Proposal and clearly delineated between the impacts of these separate proposals. NSCC also included a written summary of the MLA Proposal and offered to schedule a call to discuss these proposals and their potential impacts. Wilson-Davis did not respond to this outreach.

NSCC would like to note that the impact study that was distributed to Members in August 2020 was based on data from the first quarter of 2020 and showed that the proposed MLA charge would increase the total margin requirements collected by NSCC by an average of 5.3% and the proposed bid-ask charge would increase the total volatility component collected by NSCC by an average of 3.6%.

NSCC routinely reaches out to Members that may be impacted by its proposals. This outreach includes impact study results and an offer to discuss those results and the underlying proposal. We encourage Wilson-Davis to take advantage of these opportunities so it does not misinterpret the data provided and can better understand the rationale and methodology behind NSCC's proposals.

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5 Available at https://www.sec.gov/comments/sr-nscc-2020-003/srnscc2020003-7144486-216265.pdf and https://www.sec.gov/comments/sr-nscc-2020-003/srnscc2020003-7502076-221921.pdf.

6 Available at https://www.sec.gov/comments/sr-nscc-2020-003/srnscc2020003-7734981-223093.pdf.

Sincerely,

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