

# SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-102893; File No. SR-NSCC-2025-005]

## **Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change Concerning the Collection of Intraday Margin April 21, 2025.**

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 15, 2025, 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 address recently adopted amendments to the Commission’s Standards for Covered Clearing Agencies (“CCAS Rules”) concerning the collection of intraday margin.<sup>3</sup>

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 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](http://www.dtcc.com/legal/rules-and-procedures).

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 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**

On October 25, 2024, the Commission adopted amendments to the CCAS Rules to add new requirements related to the collection of intraday margin by a covered clearing agency (“CCA”).<sup>4</sup> Specifically, the Commission amended Rule 17ad-22(e)(6)(ii)<sup>5</sup> to establish new requirements with respect to a CCA’s policies and procedures regarding the collection of intraday margin to: (i) include a new requirement to monitor intraday exposures on an ongoing basis; (ii) modify the preexisting reference to making intraday calls “in defined circumstances” to making intraday calls “as frequently as circumstances warrant” and identifying examples of such circumstances; and (iii) require that a CCA document when it determines not to make an intraday margin

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<sup>4</sup> Securities Exchange Act Release No. 101446 (Oct. 25, 2024), 89 FR 91000 (Nov. 18, 2024) (File No. S7-10-23) (“Adopting Release,” and the intraday margin rules adopted therein referred to herein as “CCAS Margin Rules”).

<sup>5</sup> 17 CFR 240.17ad-22(e)(6)(ii).

call pursuant to its written policies and procedures.<sup>6</sup> As described below, the proposed changes to the NSCC Rules are primarily designed to facilitate compliance with these requirements.

## **Background**

NSCC is a clearing agency that provides clearing, settlement, risk management, and central counterparty services for trades involving equity securities, corporate and municipal debt, exchange traded funds and unit investment trusts. NSCC manages its credit exposure to its Members by determining the appropriate Required Fund Deposit to the Clearing Fund for each Member and by monitoring the sufficiency of such deposits, as provided for in the NSCC Rules.<sup>7</sup>

The objective of a Member's Required Fund Deposit is to mitigate potential losses to NSCC associated with liquidating a Member's portfolio in the event NSCC ceases to act for that Member (hereinafter referred to as a "default").<sup>8</sup> Required Fund Deposits operate, individually, as the Member's margin, and the aggregate of all such Members' deposits is referred to, collectively, as the Clearing Fund, which operates as NSCC's default fund. NSCC would access the Clearing Fund should a defaulting Member's own Required Fund Deposit be insufficient to satisfy losses to NSCC caused by the liquidation of that Member's portfolio.

Each Member's Required Fund Deposit amount consists of a number of applicable components, each of which is calculated to address specific risks faced by NSCC, as identified within the Rules. The major components of NSCC's Clearing Fund charges include, but are not

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<sup>6</sup> See Adopting Release, supra note 4 at 91000.

<sup>7</sup> See NSCC Rule 4, supra note 3.

<sup>8</sup> The NSCC Rules identify when NSCC may cease to act for a Member and the types of actions NSCC may take. See NSCC Rule 46 (Restrictions on Access to Services), supra note 3.

limited to: (i) volatility charges for securities based on asset type and liquidity profile; (ii) mark-to-market charges; (iii) fail charges; (iv) a charge for Family-Issued Securities to mitigate wrong way risk; (v) a charge to mitigate day over day margin differentials; (vi) a coverage component; (vii) a margin liquidity adjustment component; (viii) a backtesting charge; and (iv) an excess capital premium charge.<sup>9</sup>

### **Overview of Intraday Monitoring and Margin Collection**

NSCC Procedure XV describes NSCC's Clearing Fund formula and methodology. NSCC calculates and collects Clearing Fund from its Members (i.e., a Required Fund Deposit) on a daily basis using a risk-based margin methodology.<sup>10</sup> A Member's Required Fund Deposit may vary daily and is generally based upon the Member's trading activity and current unsettled positions. Required Fund Deposit deficits are due to NSCC each business day, typically by 10:00 a.m. Eastern Time. In addition, NSCC may call for additional margin on an intraday basis, as needed.

Pursuant to Sections I.(B)(5) and (6) of NSCC Procedure XV,<sup>11</sup> NSCC has discretionary authority to collect margin on an intraday basis based on changes to a Member's intraday mark-to-market exposure ("Intraday Mark-to-Market Charge" or "Intraday MTM Charge") and intraday volatility exposure ("Intraday Volatility Charge")

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<sup>9</sup> See NSCC Procedure XV, supra note 3.

<sup>10</sup> Section 12 of NSCC Rule 56 describes the Clearing Fund obligations associated with NSCC's Securities Financing Transaction Clearing service. Section 12(c) of NSCC Rule 56 specifically provides that NSCC calculates the amount of each SFT Member's required deposit for its SFT Positions by applying the Clearing Fund formula for CNS Transactions in Sections I.(A)(1) (a), (b), (c), (e), (f), (g) of NSCC Procedure XV, as well as the additional Clearing Fund formula in Section I.(B)(5) (Intraday Mark-to-Market Charge) and (6) (Intraday Volatility Charge) of NSCC Procedure XV, except as noted otherwise, in the same manner as such sections apply to CNS Transactions submitted for regular way settlement. See Section 12 of NSCC Rule 56, supra note 3.

<sup>11</sup> See Sections I.(B)(5) and (6) of NSCC Procedure XV, supra note 3.

(collectively, “Intraday Margin Charges”). These procedures describe the calculations for the Intraday MTM Charge and Intraday Volatility Charge and the thresholds used to trigger the potential collection of such charges.

The Intraday MTM Charge is based on the difference between the last marked-to-market price of a Member’s net CNS and Balance Order positions (including CNS fails) and the most recently observed market price for such positions.<sup>12</sup> An Intraday MTM Charge may generally be imposed if the difference of this calculation meets or exceeds 80 percent of the “volatility charge” component of the Member’s start of day Clearing Fund requirement.<sup>13</sup> NSCC may reduce this threshold during volatile market conditions if it determines that a reduction of the threshold is appropriate to mitigate risks to NSCC.

The Intraday Volatility Charge is based on the difference between a Member’s start of day volatility charge and intraday volatility charges calculated with respect to its net unsettled CNS and Balance Order positions.<sup>14</sup> An Intraday Volatility Charge may generally be imposed if the difference of this calculation meets or exceeds 100 percent and the amount that would be collected is greater than \$250,000. NSCC may reduce the 100 percent threshold, for example during volatile market conditions or market events

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<sup>12</sup> See Section I.(B)(5) of NSCC Procedure XV, supra note 3.

<sup>13</sup> The “volatility charge” component of each Member’s Required Fund Deposit is designed to measure market price volatility of the start-of-day portfolio and is calculated for Members’ net unsettled positions. See NSCC Procedure XV, Section I.(A)(1)(a) for CNS Transactions and Section I.(A)(2)(a) for Balance Order Transactions, supra note 3.

<sup>14</sup> See Section I.(B)(6) of NSCC Procedure XV, supra note 3. The amount of the charge is reduced by the portion of the margin requirement differential charge that represents the volatility component collected at the start of the day and excludes the amount calculated for long positions in Family Issued Securities and shares delivered to or received by the Member to satisfy all or any portion of a short or long position.

that cause increases in trading volumes, if NSCC determines that a reduction of the threshold is appropriate to mitigate risks to NSCC.

Intraday market moves and positions are monitored by NSCC on an ongoing basis. NSCC conducts intraday monitoring of its exposures for purposes of Intraday Margin Charges at 15-minute intervals generally between the hours of 10:00 a.m. to 4:30 p.m. Eastern Time, unless such intervals are extended by NSCC to address operational or other delays. NSCC reviews these intraday snapshots of each Member's portfolio to determine whether the Member has experienced an adverse risk exposure that warrants NSCC assessing Intraday MTM Charge and/or Intraday Volatility Charge.

Through this filing, NSCC is providing additional clarity and transparency in the Rules concerning NSCC's processes for the ongoing monitoring, recalculation and collection of Intraday Margin Charges, including circumstances in which NSCC may determine not to collect such a charge, to facilitate compliance with the newly adopted CCAS Margin Rules.<sup>15</sup> The proposed changes are described in detail below.

### **Proposed Changes to the NSCC Rules**

NSCC proposes to amend Sections I.(B)(5) and I.(B)(6) of NSCC Procedure XV to provide additional clarity and transparency in the NSCC Rules concerning NSCC's processes for the ongoing monitoring, recalculation and collection of Intraday MTM Charges and Intraday Volatility Charges, including circumstances in which NSCC may determine not collect such a charge, to facilitate compliance with the newly adopted CCAS Margin Rules.<sup>16</sup> In addition, NSCC proposes to adopt new authority to reduce its

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<sup>15</sup> See 17 CFR 240.17ad-22(e)(6)(ii) and supra note 4.

<sup>16</sup> See id.

intraday margin thresholds for a given Member to require a Member to make additional Intraday MTM or Intraday Volatility Charge payments if NSCC determines it to be necessary to protect itself and its Members in response to factors such as market conditions or financial or operational capabilities affecting such Member. NSCC also proposes clarifying changes in Section I.(A) of Procedure XV to note that it may use the baseline calculation for the Margin Liquidity Adjustment (“MLA”) charge for certain equity exchange-traded fund (“ETF”) positions to address circumstances where certain data inputs needed for the creation/redemption calculation for MLA are not available. Finally, NSCC would make additional clarifying changes to add an introductory paragraph in Procedure XV concerning the frequency of its Clearing Fund calculations and the potential for extension of such actions. The proposed changes are described in detail below.

#### Intraday Margin Charges Generally

##### *Proposed Changes Concerning Ongoing Monitoring, Calculation and Collection of Intraday Margin Charges*

NSCC proposes to modify Section I.(B)(5) of NSCC Procedure XV to provide additional clarity and transparency regarding NSCC’s process for the ongoing monitoring and recalculation of its intraday mark-to-market and volatility exposures and the collection of Intraday Margin Charges. First, NSCC proposes to consolidate its procedures for Intraday Mark-to-Market Charges and Intraday Volatility Charges into Section I.(B)(5) of Procedure XV and rename Section I.(B)(5) of Procedure XV to reference Intraday Margin Charges generally, rather than Intraday Mark-to-Market Charges specifically. NSCC would also add a new introductory paragraph to the procedure to describe NSCC’s intraday monitoring process and general authority to make

intraday margin calls. The proposed rule would provide that NSCC shall establish procedures for the ongoing monitoring and recalculation of its intraday mark-to-market and volatility exposures, during such times and at such frequency as set forth by NSCC, and that NSCC will communicate to Members the timing and frequency with which NSCC monitors and re-calculates its intraday mark-to-market and volatility exposures by posting such information on NSCC's public website.<sup>17</sup> The proposed rule change would also state that NSCC may collect payments from Members on an intraday basis based on intraday changes in its risk exposures, defined generally as an "Intraday Margin Charge," including when certain risk thresholds are breached or when the products cleared or markets served display elevated volatility. The proposed rule would further clarify that Intraday Margin Charges include charges based on re-calculated mark-to-market exposures ("Intraday Mark-to-Market Charge") and volatility exposures ("Intraday Volatility Charge") for each Member, as further defined in the Procedure. NSCC would also make a conforming change to Section 12(c) of NSCC Rule 56 regarding Clearing Fund obligations for SFT Positions to reflect the consolidation of its procedures for Intraday Mark-to-Market Charges and Intraday Volatility Charges into Section I.(B)(5) of Procedure XV.<sup>18</sup>

The proposed change is intended to provide additional clarity and transparency in the NSCC Rules concerning how NSCC facilitates compliance with requirements in the CCAS Margin Rules that each CCA have policies and procedures reasonably designed to

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<sup>17</sup> As noted above, NSCC currently monitors and recalculates its intraday mark-to-market and volatility exposures in 15-minute intervals throughout the day.

<sup>18</sup> See supra note 10.



(i) monitor intraday exposures on an ongoing basis and (ii) make intraday margin calls, as frequently as circumstances warrant, including when risk thresholds specified by NSCC are breached or when products cleared or markets served display elevated volatility.<sup>19</sup>

*Proposed Changes Concerning Determinations Not to Collect Intraday Margin Charges*

NSCC also proposes to amend Section I.(B)(5) of Procedure XV to provide additional clarity and transparency around NSCC's process for determining whether to collect Intraday Margin Charges. As described above, NSCC monitors its intraday mark-to-market and volatility exposures in 15-minute intervals throughout the day and has discretionary authority to collect Intraday MTM Charges and/or Intraday Volatility Charges based on changes to a Member's intraday mark-to-market and volatility exposures. NSCC considers a number of factors when determining whether to collect an Intraday Margin Charge based on exposures that breach certain defined thresholds (discussed below) at any given 15-minute interval. Accordingly, NSCC proposes to amend Section I.(B)(5) of Procedure XV to describe this intraday margin assessment process in the NSCC Rules.

NSCC proposes to add new rule text to the procedure to provide that NSCC may determine not to collect an Intraday Margin Charge in circumstances where NSCC determines that the intraday exposure of the Member and/or breaches of certain thresholds do not accurately reflect NSCC's risk exposure to the Member. The proposed rules would also provide examples of circumstances that NSCC may consider with respect to such a determination, which may include, but are not limited to: (i) market

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<sup>19</sup> See 17 CFR 240.17ad-22(e)(6)(ii)(B) and (C) and supra note 4.

conditions and/or portfolio composition result in the defined thresholds not being breached on a consistent or persistent basis; (ii) trades will be offset by trades submitted later in the day; (iii) the defined threshold was met due to the submission of erroneous trades that are being corrected; or (iv) the defined threshold was met due to erroneous data inputs.

Additionally, NSCC would adopt new rules stating that any reduction or determination not to collect an Intraday Margin Charge, or any waiver of an Intraday Volatility Charge (as discussed below), shall be approved, documented and reviewed on a regular basis pursuant to NSCC's procedures. Pursuant to NSCC's market risk management procedures, NSCC's Market Risk Management team monitors Members' open positions and exposures on a 15-minute basis throughout the day and identifies accounts that exceed certain pre-established thresholds. These thresholds trigger research, review and escalation actions, including recommendations for making an Intraday Margin Call. If a recommendation to collect an Intraday Margin Call is made, this is escalated to more senior members of Market Risk Management in accordance with specified escalation procedures. If an Intraday Margin Call is not recommended or reduced (or with respect to an Intraday Volatility Charge, waived), a member of the Market Risk Management team documents this determination in accordance with NSCC's market risk management procedures.

The proposed change is intended to provide additional clarity and transparency in the NSCC Rules concerning NSCC's Intraday Margin Call determination process and how NSCC facilitates compliance with requirements in the CCAS Margin Rules that each

CCA have policies and procedures reasonably designed to document when NSCC determines not to make an intraday call pursuant to its written policies and procedures.<sup>20</sup>

#### Intraday Mark-to-Market Charges

NSCC proposes clarifying changes to existing procedures in Section I.(B)(5) of NSCC Procedure XV concerning the calculation of Intraday MTM Charges. First, NSCC would create new sub-paragraph (a) of Section I.(B)(5) of Procedure XV to specifically address Intraday MTM Charges. NSCC would make non-substantive cleanup changes to the procedure to describe the existing charge and clarify that the charge reflects the difference between the most recent NSCC “marked”-to-market price and most recently observed market price of a Member’s positions. NSCC would also add a new defined term, “Intraday Mark-to-Market Threshold,” to represent the existing 80 percent threshold for Intraday Mark-to-Market Charges.

In addition, NSCC would remove a clause stating that NSCC may reduce the Intraday Mark-to-Market Threshold during volatile market conditions “by accelerating the collection of anticipated additional margin from Members whose portfolios may present relatively greater risks to [NSCC] on an overnight basis.” NSCC believes that the revised rule text would more accurately reflect the circumstances in which NSCC may reduce the threshold because the collection of an Intraday MTM Charge would not be limited to addressing risk that may arise on an overnight basis but may also be needed to address mark-to-market risk exposures on an intraday basis. NSCC would also amend the rules to provide examples of market conditions that NSCC may consider with respect

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<sup>20</sup> See 17 CFR 240.17ad-22(e)(6)(ii)(D) and supra note 4.

to reducing the Intraday Mark-to-Market Threshold, which include, but are not limited to, the occurrence of large price changes in a major benchmark equity index.

NSCC also proposes to add new rule authority to permit NSCC to reduce the Intraday Mark-to-Market Threshold for a given Member if NSCC determines it to be necessary to protect itself and its Members in response to factors such as market conditions or financial or operational capabilities affecting such Member. The proposed rule change would effectively allow NSCC to lower the Intraday MTM Threshold for individual Members or certain groups of Members to address market conditions or financial or operational capabilities specifically impacting those Members without requiring NSCC to lower the threshold across all Members.

The proposed change is intended to provide additional clarity and transparency in the NSCC Rules concerning how NSCC facilitates compliance with requirements in the CCAS Margin Rules that each CCA have policies and procedures reasonably designed to make intraday margin calls, as frequently as circumstances warrant, including when risk thresholds specified by NSCC are breached or when products cleared or markets served display elevated volatility.<sup>21</sup>

#### Intraday Volatility Charges

NSCC proposes clarifying and cleanup changes to the existing procedure language concerning the calculation of the Intraday Volatility Charge. First, NSCC would create new sub-paragraph (b) of Section I.(B)(5) of NSCC Procedure XV to specifically address Intraday Volatility Charges. NSCC would make non-substantive cleanup changes to the procedure to describe the existing charge. NSCC would also add

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<sup>21</sup> See 17 CFR 240.17ad-22(e)(6)(ii)(C) and supra note 4.

a new defined term, “Intraday Volatility Threshold,” to represent the 100 percent threshold for Intraday Volatility Charges.

Additionally, NSCC proposes to remove existing rule text stating that NSCC would not collect an Intraday Volatility Charge if (a) trades submitted later in the day would offset trades submitted earlier in the day, such that the thresholds would not have been met if such activity had been submitted earlier in the day, or (b) the threshold was met due to the submission of an erroneous trade that can be corrected. This procedure language would be replaced by the proposed rules discussed above, which would provide an enhanced explanation of NSCC’s process for determining whether to collect an Intraday Margin Charge, which includes the aforementioned scenarios for determining whether to collect an Intraday Volatility Charge.

In addition, NSCC would remove a clause stating that NSCC may reduce the Intraday Volatility Threshold during volatile market conditions or market events that cause increases in trading volumes “by accelerating the collection of anticipated additional margin from those Members whose portfolios may present relatively larger risks to [NSCC] on an overnight basis.” NSCC believes that the revised rule text would more accurately reflect circumstances in which NSCC may reduce the threshold because the collection of an Intraday Volatility Charge would not be limited to addressing risk that may arise on an overnight basis but may also be needed to address volatility risk exposures on an intraday basis. NSCC would also amend the rules to provide examples of market conditions that NSCC may consider with respect reducing the Intraday Volatility Threshold, which include, but are not limited to, ETF index rebalancing periods or the occurrence of large price changes in a major benchmark equity index.

NSCC also proposes to add new rule authority to permit NSCC to reduce the Intraday Volatility Threshold for a given Member if NSCC determines it to be necessary to protect itself and its Members in response to factors such as market conditions or financial or operational capabilities affecting such Member. The proposed rule change would effectively allow NSCC to lower the Intraday Volatility Threshold for individual Members or certain groups of Members to address market conditions or financial or operational capabilities specifically impacting those Members without requiring NSCC to lower the threshold across all Members.

NSCC would also adopt new rules concerning NSCC's authority to waive, in exigent circumstances, an Intraday Volatility Charge that it may otherwise ordinarily collect. Specifically, the proposed rule change would provide that NSCC may waive the collection of an Intraday Volatility Charge in exigent circumstances if NSCC determines (i) that such a waiver is necessary to protect NSCC, its participants, investors and the public interest or (ii) that NSCC can effectively address the risk exposure presented by the Member without the collection of such charge.

The proposed change is intended to provide additional clarity and transparency in the NSCC Rules concerning how NSCC facilitates compliance with requirements in the CCAS Margin Rules that each CCA have policies and procedures reasonably designed to make intraday margin calls, as frequently as circumstances warrant, including when risk thresholds specified by NSCC are breached or when products cleared or markets served display elevated volatility.<sup>22</sup>

#### Other Proposed Changes to NSCC Rules

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<sup>22</sup> Id.

*Proposed Clarifications Concerning the Frequency of Clearing Fund Calculations*

NSCC proposes to amend the introductory section of NSCC Procedure XV to rename the Procedure and provide additional context regarding the frequency of NSCC's Clearing Fund calculations. Specifically, the proposed rule change would relocate a footnote to the introductory section of Procedure XV stating that NSCC performs all Clearing Fund calculations daily or on a more frequent basis if NSCC deems it appropriate. NSCC also proposes to add additional clarifying language to this section noting that times all may be extended as needed by NSCC to (i) address operational or other delays that would reasonably prevent members or NSCC from meeting the deadline or timeframe, as applicable, or (ii) allow NSCC time to operationally exercise its existing rights under the NSCC Rules and Procedures. In addition, the proposed rules would clarify that all times applicable to NSCC are standards and not deadlines; actual processing times may vary slightly, as necessary.

*Proposed Clarifications Concerning MLA Charge Calculation for Certain Equity ETFs*

NSCC also proposes to amend Sections I.(A)(1)(g) and I.(A)(2)(f) of NSCC Procedure XV to make certain clarifications regarding the calculation of the MLA charge for CNS and Balance Order transactions, respectively.<sup>23</sup> As noted above, one of the primary components of NSCC's Clearing Fund calculation is the MLA charge, which applies to a Member's Net Unsettled Positions, other than long Net Unsettled Positions in Family-Issued Securities. For ETFs with in-kind baskets, NSCC runs two separate

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<sup>23</sup> NSCC notes that the MLA charge is also applied to SFT Positions. See NSCC Rule 56, Section 12, supra note 3.

calculations to compare and determine the “impact cost” of liquidating the ETF. NSCC runs (i) a baseline calculation to simulate all the ETF positions being liquidated in the secondary market (the “Baseline Calculation”) with the impact cost calculation being at the security level (i.e., the ETF shares) and (ii) an alternative calculation (“Create/Redeem Calculation”) to simulate the ETF positions being liquidated in the primary market using the creation/redemption process.<sup>24</sup> NSCC then uses the smaller calculated impact costs of either the Baseline Calculation or the Create/Redeem Calculation for purposes of calculating the MLA charge.

NSCC proposes to modify Sections I.(A)(1)(g) and I.(A)(2)(f) of Procedure XV to clarify that, if certain data inputs needed to determine ETF decomposition for the Create/Redeem Calculation are unavailable or unreliable, NSCC may use the Baseline Calculation for purposes of calculating the MLA charge for ETFs. The proposed rule change is intended to address limited scenarios where NSCC may be unable to perform both calculations for comparison. In such a scenario, NSCC believes it may be appropriate to use the Baseline Calculation to determine the impact cost and resulting MLA charge for the ETF(s) in question. NSCC is not proposing any changes to the manner in which it would calculate the Baseline Calculation or the Create/Redeem Calculation or the manner in which NSCC would determine the impact cost when both calculations are available and reliable.

### **Implementation Timeframe**

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<sup>24</sup> The impact costs for the Create/Redeem Calculation are calculated by decomposing the ETFs into their underlying securities and calculating the impact costs of such underlying securities utilizing the equity asset subgroup calculations. See NSCC Procedure XV, Sections I.(A)(1)(g) and I.(A)(2)(f), supra note 3.



NSCC expects to implement the proposed rule change by no later than December 15, 2025, and would announce the effective date of the proposed changes by an Important Notice posted to NSCC's website.

## 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 Act<sup>25</sup> and Rule 17ad-22(e)(6) thereunder<sup>26</sup> for the reasons set forth below.

Section 17A(b)(3)(F) of Act<sup>27</sup> 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 clarity and transparency of NSCC's Rules regarding the ongoing monitoring, calculation and collection of Intraday Margin Charges. Specifically, the proposed rule change would enhance Procedure XV of the NSCC Rules to more clearly describe how NSCC: (i) monitors its intraday mark-to-market and volatility exposures each day on an ongoing basis; (ii) makes intraday calls for Intraday Margin Charges, as frequently as circumstances warrant, including when certain risk thresholds are breached or when the

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<sup>25</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>26</sup> 17 CFR 240.17ad-22(e)(6).

<sup>27</sup> 15 U.S.C. 78q-1(b)(3)(F).

products cleared or markets served display elevated volatility; and (iii) determines whether to make an Intraday Margin Call and documents when it determines to waive, reduce or not make an Intraday Margin Call pursuant to its written policies and procedures. The proposed rule change would also introduce authority for NSCC to lower its intraday margin call thresholds for individual Members or certain groups of Members to address market conditions or financial or operational capabilities specifically impacting those Members without requiring NSCC to lower the threshold across all Members. NSCC believes that providing this additional transparency and clarity in the NSCC Rules would promote the understanding of NSCC's intraday margin processes by NSCC's Members, market participants and the public. This, in turn, would help Members understand their potential obligations to NSCC, particularly with respect to Intraday Margin Charges, so that they are better equipped and able to satisfy such obligations when due. NSCC uses the margin and Clearing Fund it collects to mitigate potential losses to NSCC (and through loss allocation, to its Members) associated with 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.

The proposed rule change would also provide clarity in the NSCC Rules to allow NSCC to use the Baseline Calculation for determining the impact costs for certain equity

ETFs in the MLA charge when certain data inputs required for the Create/Redeem Calculation are not available. NSCC believes that using the existing, conservative Baseline Calculation for determining the impact costs of liquidating certain equity ETFs in such a scenario would appropriately address risks presented to NSCC. As noted above, NSCC uses the margin and Clearing Fund it collects to mitigate potential losses to NSCC and its Members 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 changes are 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 the Act.

Exchange Act Rule 17ad-22(e)(6)(ii)<sup>28</sup> requires that a CCA establish, implement, maintain, and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, among other things, (i) monitors intraday exposures on an ongoing basis; (ii) includes the authority and operational capacity to make intraday margin calls, as frequently as circumstances warrant, including the following circumstances: (1) when risk thresholds specified by the CCA are breached; or (2) when the products cleared or markets served display elevated volatility; and (iii) documents when the CCA determines not to make an intraday call pursuant to its written policies and procedures. The proposed rule change would enhance the clarity and transparency of NSCC's Rules regarding the ongoing

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<sup>28</sup> 17 CFR 240.17ad-22(e)(6)(ii).

monitoring, calculation and collection of Intraday Margin Charges. Specifically, the proposed rule change would enhance Procedure XV of the NSCC Rules to more clearly describe how NSCC: (i) monitors its intraday mark-to-market and volatility exposures each day on an ongoing basis; (ii) makes intraday calls for Intraday Margin Charges, as frequently as circumstances warrant, including when certain risk thresholds are breached or when the products cleared or markets served display elevated volatility; and (iii) determines whether to make an Intraday Margin Call and documents when it determines to waive, reduce or not make an Intraday Margin Call pursuant to its written policies and procedures. Accordingly, NSCC believes the proposed changes to the NSCC Rules are reasonably designed to facilitate compliance with the requirements of Exchange Act Rule 17ad-22(e)(6)(ii).

Exchange Act Rule 17ad-22(e)(6)(i)<sup>29</sup> requires that a CCA establish, implement, maintain, and enforce written policies and procedures reasonably designed to establish a risk-based margin system that, among other things, considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market. As discussed above, the proposed rule change would also provide clarity in the NSCC Rules to allow NSCC to use the Baseline Calculation for determining impact costs for certain equity ETFs in the MLA charge when certain data inputs required for the Create/Redeem Calculation are not available.<sup>30</sup> The proposed changes would enable

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<sup>29</sup> 17 CFR 240.17ad-22(e)(6)(i).

<sup>30</sup> Rule 17ad-22(e)(6)(iv) under the Act requires each CCA that is a central counterparty to establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, uses reliable sources of timely price data and other substantive inputs, and uses procedures (and, with respect to price data, sound valuation models) for addressing circumstances in which price data or other substantive inputs are not readily available or reliable, to ensure that the CCA can continue to meet its obligations under Rule 17ad-22(e)(6). Such policies and procedures must

NSCC to use its existing, conservative Baseline Calculation for determining the impact costs of liquidating certain equity ETFs to generate Clearing Fund requirements that appropriately address risks presented to NSCC. NSCC believes that these proposed changes are reasonably designed to allow NSCC to consider, and produce margin levels commensurate with, the risks and particular attributes of relevant products, portfolios, and markets in accordance with Exchange Act Rule 17ad-22(e)(6)(i).

For the reasons set forth above, NSCC believes the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act<sup>31</sup> and Rule 17ad-22(e)(6) thereunder.<sup>32</sup>

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

Section 17A(b)(3)(I) of Act<sup>33</sup> 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 designed to ensure that the NSCC Rules remain transparent, accurate and clear, particularly concerning NSCC's existing processes for the ongoing monitoring, recalculation and collection of Intraday Margin Charges. To the extent that NSCC is

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include either (i) the use of price data or substantive inputs from an alternate source; or (ii) if it does not use an alternate source, the use of a risk-based margin system that does not rely on substantive inputs that are unavailable or unreliable. See 17 CFR 240.17ad-22(e)(6)(iv). NSCC has not at this time determined the data inputs required for the Create/Redeem Calculation to be "substantive inputs" for purposes of Rule 17ad-22(e)(6)(iv); however, NSCC still believes that it is appropriate to allow NSCC to use its existing alternative Baseline Calculation for the MLA charge, which do not rely on those inputs, if the data inputs for the Create/Redeem Calculation are not available.

<sup>31</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>32</sup> 17 CFR 240.17ad-22(e)(6).

<sup>33</sup> 15 U.S.C. 78q-1(b)(3)(I).

introducing new authority in its Rules, such as the potential use of the Baseline Calculation for MLA charges when the Create/Redeem Calculation is not available or adopting authority to lower Intraday Margin Call thresholds for individual Members, these Rules would apply equally to all Members and would not inhibit access to NSCC's services or favor any particular Member over another. With respect to individual Member margin call thresholds, this authority would only be utilized in the event that circumstances require NSCC to address market conditions or financial or operational capabilities specifically impacting unique Members or groups of Members and broader market conditions do not warrant lowering the threshold across all Members. NSCC believes the proposed change is necessary and appropriate to facilitate NSCC's compliance with requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency, specifically NSCC's obligations to effectively identify, measure, monitor, and manage its credit exposures to participants under Rules 17ad-22(e)(4) and (6).<sup>34</sup> Therefore, 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, they will be publicly filed as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

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<sup>34</sup> 17 CFR 240.17ad-22(e)(4) and (6).

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/regulatory-actions/how-to-submit-comments](http://www.sec.gov/regulatory-actions/how-to-submit-comments). 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](mailto: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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NSCC-2025-005 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-2025-005. 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 (<https://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m.



and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of NSCC and on DTCC's website (<https://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-2025-005 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.<sup>35</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>35</sup> 17 CFR 200.30-3(a)(12).