

UNITED STATES OF AMERICA  
before the  
U.S. SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING  
File No. 3-20808

In the Matter of the Application of

LEK SECURITIES CORPORATION

For review of decision of the Depository Trust  
& Clearing Corporation

**REPLY BRIEF OF PETITIONER**  
**LEK SECURITIES CORPORATION**

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The DTCC<sup>1</sup> does not dispute several important aspects of this appeal, including that: (1) the DTCC steadfastly refused to tell Lek Securities Corporation (“LSC”) what level and forms of liquidity would alleviate the DTCC’s concerns; (2) at all relevant times, LSC had more than 10 times the NSCC’s required minimum excess net capital; (3) LSC never failed to make a required margin payment, including keeping \$27 million on deposit at the NSCC since November 2021 despite LSC’s actual margin obligations during that time being a fraction of that amount; (4) the Lek Holdings Note Program enabled LSC to obtain payment of anticipated margin requirements as a prerequisite to LSC agreeing to place the trade; and (5) the DTCC ceasing to act for a fully functioning broker-dealer like LSC appears to be unprecedented.

The DTCC attempts to distract from these issues by mischaracterizing the record to give a false impression that LSC provided inaccurate information to DTCC. In apparent recognition of the peril of its position, the DTCC then has the temerity to assert that the Commission does not have the authority to review the DTCC’s imposition of its most severe form of sanctions—cease to act determinations – despite the plain language of the Exchange Act saying otherwise.

The factual record demonstrates that the DTCC acted arbitrarily, and the Commission should therefore reverse the Hearing Panel’s Decision.<sup>2</sup>

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<sup>1</sup> In this brief, references to both the National Securities Clearing Corporation (“NSCC”) and the Depository Trust Company (“DTC”) collectively are to NSCC’s and DTC’s corporate parent, the Depository Trust and Clearing Corporation (“DTCC”).

<sup>2</sup> Because the Activity Cap and the Hearing Panel Costs have also been imposed for the same reasons as the cease to act determinations, those penalties are also not in accordance with the DTCC’s rules or applied in a manner consistent with the purposes of the Exchange Act. 15 U.S.C. § 78s(f).

**I. LSC had ample resources to support its margin obligations.**

The DTCC repeatedly states that, with the closure of LSC's credit facilities with BMOH and Texas Capital in 2021, LSC lacked the finances to meet its Clearing Fund requirements. That assertion is untrue.

The DTCC acknowledges that NSCC's Rule 4 and Procedure XV prescribe the required financial obligations and margin funds for its members including any amounts over and above the minimum capital requirements. There is no dispute that LSC met those standards.

Since the DTCC cannot show that LSC failed to comply with any standards, it instead argues that it had concerns that, at some speculative and unspecified time in the future, LSC might not be able to satisfy unknown and hypothetical margin obligations despite the uncontroverted fact that LSC never failed to meet a margin requirement.

Despite the extraordinary relief being sought, the DTCC refused to tell LSC what levels of available liquidity would satisfy its concerns. Instead, LSC was left with having to guess at what the DTCC's expectations were, which is contrary to the statutory requirements for SROs like the DTCC to have clear rules and guideposts so that its members can conform their business accordingly. 15 U.S.C. § 78q-1(b)(3)(H). A close examination of the factual record demonstrates the lack of a reasonable factual predicate for the DTCC's speculative concerns. According to the DTCC, between October 2020 and October 2021, "LSC's Clearing Fund deposit requirement averaged approximately \$28 million." Opposition at 7; 17. The DTCC appears to have been upset that LSC's excess net capital and non-segregated cash was lower than this average margin requirement (*i.e.*, between January 1, 2021 and September 30, 2021, excess net capital ranging from approximately \$10.5 to \$13.3 million and cash and equivalents of between approximately \$5.4 and \$6.6 million). *Id.* But no DTCC rules require the maintenance of any particular ratio of excess net capital to average margin requirements. Indeed, when asked what type of ratio the

DTCC wanted from LSC, the DTCC refused to answer the question. *See* Tab 164 at 236:25-237:19 (The DTCC agreed it has never determined what it would consider to be an adequate cash-to-asset ratio for LSC and there is no “magic number.”). Self-regulatory organizations like the DTCC are supposed to have standards that put their members on notice of what is required of them. 15 U.S.C. § 78q-1(b)(3)(H). The DTCC had no such standards here.

Moreover, pursuant to NSCC’s Addendum B, a self-clearing broker like LSC is only required to have excess net capital of \$1 million. *See* NSCC Rules Addendum B Sec. 1.B. LSC had more than 10 times this amount. Tab 2 ¶ 15. In addition to its excess net capital, LSC had access to a \$10 million unsecured line of credit with Lakeside Bank and access to unsecured liquidity through the Lek Holdings Note Program.

In addition to the above, since November 2021, LSC also provided the DTCC with an additional deposit of \$27 million that remained available to NSCC in the event it became needed to satisfy LSC’s margin obligations. More specifically, in August 2021, the DTCC required LSC to keep \$20 million on deposit with the NSCC.<sup>3</sup> Tab 028. In November 2021, the DTCC increased that deposit requirement to \$27 million. Tab 006. Since November 8, 2021, LSC’s average daily margin requirements have only been approximately \$10 million. LSC Reply Brief in Support of Motion to Stay Ex. A ¶ 5. In other words, since November 2021, LSC had been providing to NSCC an average daily margin cushion of approximately \$17 million. *Id.* LSC’s margin requirement was getting smaller – not bigger – and certainly comfortably within the range of its readily available liquidity. Yet the DTCC proceeded with imposing the cease to act notices and effectively put LSC out of business.

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<sup>3</sup> As acknowledged by the DTCC, margin obligations are calculated to provide a level of protection exceeding 99%. Opposition at 4. So, NSCC was forcing LSC to pay millions of dollars beyond that 99% level of confidence.

## **II. The Lek Holdings Note Program was a reliable funding source.**

Even if LSC's margin requirements may have exceeded LSC's bank financing and excess net capital at times, the Lek Holdings Note Program more than covered LSC's obligations. The DTCC's argument that the Lek Holdings Note Program was an inadequate and unreliable source of funding ignores the realities of the Program and how it had been working since its introduction in February 2021.

The Lek Holdings Note Program was a mechanism for LSC to receive pre-funding of margin requirements before the placement of trades. This was smart liquidity management. LSC controls its margin exposure through pre-trade risk controls that block (1) any trades in excess of \$500,000, and (2) any sale of microcap securities in excess of \$500.<sup>4</sup> Tab 152 ¶ 13. LSC only permits trades in excess of these limits if LSC receives funds up-front sufficient to cover the margin impact of those trades. If LSC does not receive that money via the Lek Holdings Note Program, it will not place the trade. This prevents LSC from generating margin requirements that exceed its available liquidity, and there is no dispute that it had been working without fail.

The DTCC attempts to undercut the Program by claiming that Lek Holdings (LSC's parent company) does not have enough capital to support the loan arrangement. Opposition at 18. That misguided critique overlooks the fact that LSC's customers who want to place certain types of trades are the ones who provide the money to Lek Holdings, which then provides the money to LSC. If, for some reason, LSC does not receive money sufficient to cover the calculated margin impact (plus a cushion) of the contemplated trade – either because the

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<sup>4</sup> The DTCC makes the patently false assertion that the Hearing Panel Decision found that LSC's risk controls were insufficient. Opposition at 19. To the contrary, the Hearing Panel found that the DTCC did not conduct a "fulsome analysis of LSC's internal controls" and therefore could not use this reason to support the DTCC's cease to act determinations. Tab 174 at 12-13.

customer does not provide the money to Lek Holdings or Lek Holdings declines to provide the money to LSC – LSC does not enter the trade and therefore does not create a margin obligation. Thus, Lek Holdings’ capitalization is irrelevant as to whether the Program is an effective means for LSC to address margin requirements resulting from particular trades.

Next, the DTCC claims that the Lek Holdings Note Program is not reliable because the customers had no obligation to lend money to Lek Holdings in the first instance. That fact is of no moment because if the customer does not provide the funds to Lek Holdings, the trade will not occur and there will not be any resulting margin obligation. The argument that in order to meet its margin obligations, LSC was reliant on a customer’s “ongoing willingness to lend money to Lek Holdings and Lek Holdings’ willingness to continue to fund LSC” (Opposition at 18-19) is false – no margin requirement was generated unless and until LSC received sufficient funds prior to placing the trade.

The DTCC also falsely claims that they had no information on the identities of the lenders under the Lek Holdings Note Program “since the middle of 2021.” Opposition at 19. In fact, LSC provided the identities of the lenders to the DTCC on July 26, 2021.<sup>5</sup> See Tab 060 ¶¶ 127; Tab 099 (LSC Letter to DTCC dated July 26, 2021); Tab 095 (LSC letter to FINRA dated July 8, 2021). Importantly, the DTCC never specifically requested the identities of the lenders. Rather, they requested “information regarding Lek’s parent company’s financial standing and its funding/borrowing that supports the promissory notes it has extended to Lek, including all written materials and information provided to FINRA regarding these matters.” Tabs 012; 097.

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<sup>5</sup> The DTCC mischaracterizes LSC’s Opening Brief in this appeal arguing that LSC claimed that it did not need to provide information on its customers to the DTCC because it was “irrelevant.” Opposition at 19. That was not what LSC’s Opening Brief said. Rather, LSC said that it had provided to the DTCC the identities of its lenders as well as details of the lenders’ notes and every loan and repayment of loans under the program. Opening Brief at 16.



In other words, the DTCC is premising its disciplinary action, in part, by falsely stating that it did not receive information that it had not actually requested.

**III. LSC did not make material misstatements or omissions about the termination of its credit facilities.**

A. LSC timely disclosed the termination of the BMOH credit facility.

Contrary to the DTCC's accusation, LSC promptly notified them when BMOH informed LSC about the details as to when BMOH would be ending its business relationship with LSC.

On July 8, 2021, BMOH informed LSC that BMOH would be terminating the relationship several months later. LSC promptly informed the DTCC approximately two weeks later on July 26, 2021. Tab 013.

Despite LSC's prompt notification of this development, the DTCC claims, without citing any legal support, that LSC should have informed the DTCC in October 2019 – almost two years prior – that BMOH was discussing with LSC that BMOH “intended eventually to reduce LSC's [NSCC] sublimit to \$0.” Opposition at 9, 23; Tab 019.

The undeniable fact is that BMOH did not finally decide to confirm a plan to terminate the credit facility for nearly two years, i.e., not until July 2021. Tab 019. This demonstrates that the concepts that BMOH articulated to LSC back in October 2019 (that it intended to eventually terminate) were too nebulous to be actionable. Once BMOH confirmed that it would, in fact, be ending the relationship and the timeline for doing so, LSC promptly informed the DTCC.<sup>6</sup>

Moreover, the closure of the BMOH credit facility was not material to LSC's ability to fund its margin obligations because LSC had arranged for access to additional unsecured sources

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<sup>6</sup> What really appears to be driving the DTCC's frustration is that they learned from FINRA before hearing directly from LSC. Opposition at 9. However, notifying the DTCC within two weeks from LSC learning the specifics of BMOH's plans is hardly constitutes a failure to withhold material information from DTCC.

of liquidity, including through (1) an increase in the unsecured portion of the credit facility with Lakeside Bank in June 2021 from \$7.5 million to \$10 million, and (2) the Lek Holdings Note Program, which exceeded the portions of the prior credit facilities suitable for margin purposes. Tab 060 ¶ 53, 172.

The DTCC tries to manufacture a supposed contradiction between the objective fact that the closure of the BMOH facility did not materially impact LSC's ability to meet its margin obligations and statements LSC's counsel made in correspondence with BMOH about how BMOH ceasing its business relationship could harm LSC. Opposition at 9. The statements by LSC's counsel were with respect to the settlement bank aspect of the relationship and the impact that termination could have with LSC's ability to comply with certain OCC requirements; the statements did not concern the small unsecured portion of the BMOH line of credit that was usable for NSCC margin requirements. See Tab 020 (Letter from Seward and Kissel to BMOH stating "We have been retained by [LSC] in connection with [BMOH]'s proposed closing of LSC's settlement account" and closing the settlement account would cause "irreparable harm to LSC's customers."); Tab 022 (Letter from Seward and Kissel to BMOH saying, "LSC is required by the rules of the [OCC] to maintain a settlement account...at an approved settlement bank in order to settle trades made on behalf of its customers."); Tab 164 at 99:4-18 (The loss of the BMOH relationship in relation to the OCC settlement services may cause harm.). Thus, there is no contradiction between the letter to BMOH about the settlement bank issue for OCC purposes and the fact that the termination of the unsecured portion of credit facility was immaterial to LSC's ability to satisfy its margin obligations.

B. LSC did not misrepresent the expiration of its Texas Capital credit facility.

The DTCC insists that LSC failed to disclose the termination of the Texas Capital credit facility even though the Hearing Panel Decision recognized otherwise. *See* Tab 174 at 14 (On the April 7, 2021 response to the DTCC, LSC stated that the Texas line of credit “had a March 31, 2021, expiration date.”). The DTCC asked LSC to provide a schedule of the firm’s sources of funding liquidity. On April 7, 2021, LSC responded by providing a chart excerpted from its 2020 audited financial statements listing the lines of credit with BMOH, Texas Capital, and Lakeside Bank. Tab 043. This table from the 2020 audited financials is copied again in LSC’s May 3, 2021 submission to the DTCC. Tab 045. The image is excerpted below for clarity (highlighting added):

- a. Please find an excerpt from the 2020 audited financial statements. The lines listed below are with BMO Harris Bank, Texas Capital Bank, and Lakeside Bank. It should be noted that in 2021, Texas Capital has made substantial changes in its lending division, and has exited the relationships with many broker dealers in the industry.

The Company has available lines of credit agreements with financial institutions to borrow up to \$107,500,000, as shown in the table below. The credit line facilities expire on the dates indicated below. Borrowings are due on demand and bear interest at a rate agreed upon between the financial institution and the Company. At December 31, 2020, the Company has borrowed \$38,500,000 under two of the credit facilities, of which a portion is secured by customer pledged securities.

<u>Security</u>	<u>Renewal/ Expiration Date</u>	<u>Total Commitment</u>	<u>Amounts Outstanding</u>
Line of credit	11/30/2021	\$ 75,000,000	\$ 31,000,000
Line of credit	3/31/2021	25,000,000	-
Line of credit	5/30/2021	7,500,000	7,500,000
		<u>\$ 107,500,000</u>	<u>\$ 38,500,000</u>

As shown, the chart clearly specifies the expiration dates of each of the credit facilities and reflects that the Texas Capital credit facility expired on March 31, 2021. Tab 043; Tab 045. Even more, LSC stated in both responses that the “credit line facilities expire on the dates

indicated.” *Id.* Therefore, LSC accurately disclosed the status of the Texas Capital credit facility to DTCC.<sup>7</sup>

Regardless, the DTCC claims that the supposed “failure” to disclose the termination of the Texas Capital line of credit was “egregious” because “Mr. Lek admitted to the Hearing Panel that LSC knew it would not be renewed ‘on or about October 19, 2020.’” Opposition at 10; Tab 60 ¶ 50. That argument, however, rests upon another mischaracterization of the evidence. Mr. Lek stated that he was notified in October 2020 that Texas Capital was significantly downsizing and “as part of that downsizing, Texas Capital was exiting its broker-dealer financing business.” Tab 60 ¶ 50. As discussed above with respect to BMOH, knowing of a generalized intention to discontinue a credit facility at some unspecified point in the future is not something that required prompt notification to the DTCC especially when the line of credit was a secured facility that was not usable for margin purposes and which LSC had not been even been using for any other purpose for several months.<sup>8</sup>

#### **IV. LSC did not make misrepresentations about the Lek Holdings Note Program.**

The DTCC incorrectly claims that LSC “failed to respond or to fully respond to [its] many requests for information about the Lek Holdings Note Program.” Opposition at 10. That assertion is incorrect and is not supported by the evidence the DTCC cites in its brief. The DTCC made five written requests for information about the Lek Holdings Note Program and

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<sup>7</sup> As a practical matter, LSC could not use the Texas Capital credit facility for margin purposes because it had no unsecured portion. In fact, LSC had not used it all for any purposes for approximately nine months prior to its closure. Tab 060 ¶¶ 50-51.

<sup>8</sup> Not only are the DTCC’s assertions of supposed misrepresentations contradicted by the facts, but the cases it cites in support of imposing the draconian sanctions address fundamentally different conduct. Specifically, the DTCC relies on *In re Schellenbach*, in which the respondent deceived regulators about the financial condition of his firm by writing false checks and falsifying reports to FINRA. Exchange Act Rel. No. 30030, 1991 WL 288493 (Dec. 4, 1991). There was absolutely no falsification of financial information here.

LSC responded to each one. *See* Tabs 044; 050; 051; 012; 016 (DTCC requests); Tabs 035; 043; 045; 099; 017 (LSC responses).

The DTCC cites an affidavit from Mr. Michael Leibrock as support for the claim that “LSC failed to provide the requested information.” Opposition at 26; Tab 142 ¶¶ 15-19. In that affidavit, Mr. Leibrock does not assert that LSC failed to respond to any of the DTCC’s requests. Rather, he says that the DTCC did “not have sufficient insight into the ... logistics behind” the program. Tab 142 ¶18. If the DTCC needed more information in order to evaluate the Program, the DTCC could have and should have told LSC what additional information it wanted instead of rushing to cease to act without ever admittedly failing to develop a fulsome understanding of the Program and then making inaccurate statements about the status of LSC’s production.

In addition, the DTCC argues that Mr. Lek inaccurately described in an affidavit FINRA’s views regarding the Lek Holdings Note Program. Opposition at 12 n. 22. The relevant portion of the affidavit, however, accurately reflected the substance of calls between LSC’s counsel, Mr. Lek and FINRA. Specifically, Mr. Lek’s affidavit said:

Notably, I understand that the information provided has answered FINRA’s questions about the Lek Holdings Note Program and alleviated any concerns it had. Brian Kowalski, FINRA’s Senior Director of Risk Monitoring, moreover, has acknowledged that FINRA now believes that the Lek Holdings Note Program adequately addresses any liquidity risks associated with NSCC funding requirements.

Tab 60 ¶ 130.

Mr. Lek based this understanding on multiple conversations he and his counsel had with Mr. Kowalski. For example, on November 17, 2021, Brian Kowalski of FINRA told LSC’s counsel that he “conceded that FINRA now believes that the [Lek Holdings Note Program] adequately addresses liquidity risks from the NSCC requirements.” Tab 177, Ex. 1. The following month, Mr. Kowalski told LSC’s counsel and Mr. Lek that that the Lek Holdings Note

Program appeared to be a “bifurcated approach to liquidity risk management...[s]uch that it uses the promissory note to most significantly fund and specifically fund the NSCC requirement in certain instances.” Tab 168 at 381:14-25. During the hearing, Mr. Kowalski confirmed that certain concerns about the Lek Holdings Note Program’s ability to sufficiently fund LSC’s Clearing Fund requirement had been lessened in that conversation. Tab 168 at 382:1-16. Mr. Kowalski testified that he said “where I would agree is that we have an understanding...of how the promissory note is used and how the, if we're putting sources and uses together, those material spikes in NSCC requirement were largely managed through this promissory note.”). Therefore, Mr. Lek’s affidavit accurately reflects his understanding that Mr. Kowalski had acknowledged that the Lek Holdings Note Program was, indeed, providing funds to LSC that could then be used to satisfy its margin requirements.

The DTCC then raises in a footnote purported additional misrepresentations about LSC’s “future” finances that were never addressed in the Hearing Panel Decision. Opposition at 10 n. 21. As a result, the DTCC’s argument is inappropriate on appeal. Nevertheless, we address these statements as they are yet again taken out of context. The DTCC states the following:

- “In a July 26, 2021 response to a question about LSC’s future sources of funding, LSC listed the BMOH line of credit as a “Future” source of funds even though BMOH had advised LSC it would terminate the facility.” Opposition at 10 n. 21 (citing Tab 13; Tab 2 ¶ 52).
- In the same response, LSC “reflected \$96 million in “Unsecured Notes” as a “Future” source of funds, but it later confirmed (upon further questioning) that this was not a new liquidity source but was the Lek Holdings Note Program. Opposition at 10 n. 21 (citing Tab 13; Tab 2 ¶ 25).

The fact that LSC listed in a response *in July 2021* to the DTCC that the BMOH line of credit and Lek Holdings Note Program would be “future” sources of funding is accurate. The BMOH line of credit of \$50,000,000 remained open and usable until October 6, 2021. The term “future” does not mean “forever.” The illogic of the DTCC’s assertions is demonstrated by the fact that this assertion was made in the very same letter that LSC sent to the DTCC explaining that BMOH would be closing the credit facility in the fall. Tab 13.

**V. LSC provided the BRG Report to the DTCC after the DTCC clarified the request.**

The DTCC continues to argue that LSC did not timely disclose the independent consultant report by Berkley Research Group (“BRG”) dated April 19, 2021. Yet, even the Hearing Panel agreed that the DTCC’s request for the BRG Report was “ambiguous.” Tab 174 at 18. Once the request for the report was understood, LSC provided the BRG Report on June 10, 2021. Tab 052.

**VI. The DTCC acted arbitrarily.**

The DTCC argues that because its rules provide for discretion, the DTCC can effectively act without accountability. That is not true. Instead of having boundless discretion, the DTCC, like all self-regulatory organizations, must act rationally and in a manner appropriately tied to the standards set out in its rules against which members’ actions can be evaluated. The DTCC has refused to provide insight or guidelines as to how much additional funding LSC needed beyond (1) the \$27 million Required Fund Deposit LSC had been providing to NSCC since November 8, 2021, (2) the excess net capital more than 10 times the minimum required amount, (3) the existing lines of credit totaling \$30 million from Lakeside Bank,<sup>9</sup> and (4) the access to pre-trade margin funding capability provided by the Lek Holdings Note Program.

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<sup>9</sup> On June 16, 2022, Lakeside Bank increased its line of credit with LSC to \$50 million. *See* Opening Brief at 7 n. 5.

In addition, the DTCC has failed to demonstrate how, given the aforementioned, the loss of the BMOH and Texas Capital lines of credit were “material” to LSC for purposes of meeting margin requirements. Indeed, the lack of materiality is demonstrated by the fact that even after the closure of those two credit facilities, LSC continued to readily meet the DTCC’s financial obligations without fail.

The DTCC has taken the troubling view that its decision to impose the harshest sanctions available—cease to act determinations—is not reviewable by the Commission. Opposition at 34. This is fundamentally wrong. Any person aggrieved by a final decision of a self-regulatory organization has the statutory right to seek review by the Commission. Section 19(d)(2) of the Securities Exchange Act of 1934; 17 CFR § 240.19d-2. A cease to act determination is the equivalent of FINRA barring a person from associating with a broker-dealer; the Commission routinely reviews and often reverses those determinations. *See e.g., In the Matter of Application of Scottsdale Capital Advisors Corp., et al.*, Exch. Act Release No. 93052 (Sept. 17, 2021); *In the Matter of the Application of Keith Patrick Sequeira*, Exch. Act Release No. 81786 (Sept. 29, 2017); *In the Matter of the Application of David B. Tysk*, Exch. Act Release No. 91268 (March 5, 2021).

In support of its flawed theory, the DTCC argues that the cease to act determination is not a sanction but instead a view on LSC’s membership qualifications. The NSCC rules say otherwise.<sup>10</sup> Addendum B Section 1 of the NSCC Rules provides that to qualify for membership, LSC must (1) be a registered broker-dealer; (2) have excess net capital of \$1,000,000; (3) meet the operational requirements of NSCC and conform to any condition and

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<sup>10</sup> Cease to act determinations and membership are two distinct concepts. Under NSCC’s Rules, membership qualifications are governed by Addendum B and restrictions on access to services are governed by Rule 46.



requirement the NSCC deems necessary for its protection; and (4) have an established business history of a minimum of six months. There is no dispute that LSC met all of those requirements. Therefore, the cease to act determinations cannot be plausibly tied to the membership criteria.

The cease to act determinations are unquestionably the DTCC's most severe form of sanctions and therefore are necessarily subject to Commission review.

**VII. Because the Activity Cap is based on the same failed rationale as the cease to act determinations, the Activity Cap and the subsequent penalties for failing to immediately comply with the Activity Cap should be overturned.**

The DTCC imposed an Activity Cap on LSC for the same reasons as the cease to act determinations: (1) for allegedly failing to comply with the DTCC's financial and operational requirements; and (2) the action was "necessary" for the protection of the DTCC, its participants, creditors, and investors." Opposition at 36. As LSC has demonstrated, it never failed to meet any of the DTCC's objective standards for membership, including its financial and operational requirements and the Clearing Fund requirement. Because of that, LSC never posed any real threat to the DTCC or to the financial system as a whole. Furthermore, the Activity Cap was imposed effective immediately and LSC was fined for not immediately complying.

**VIII. Conclusion**

For the foregoing reasons, the Commission should reverse all of the findings of the DTCC Decision against LSC.

Dated: August 15, 2022

Respectfully submitted,

*Kevin J. Harnisch/ABS*

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**CERTIFICATE OF SERVICE**

Pursuant to Rule 151(d) of the Commission's Rules of Practice, on August 15, 2022, the undersigned caused a true and accurate copy of the foregoing to be served by electronic mail on the following persons:

DTCC Corporate Secretary (corporatesecretary@dtcc.com)  
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Dated: August 15, 2022

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