

# SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103199; File No. SR-NSCC-2025-005]

## **Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1, Concerning the Collection of Intraday Margin**

June 5, 2025.

### **I. INTRODUCTION**

On April 15, 2025, National Securities Clearing Corporation (“NSCC,” a subsidiary of The Depository Trust & Clearing Corporation (“DTCC”) and a “Clearing Agency”), filed with the Securities and Exchange Commission (“Commission”) proposed rule change SR-NSCC-2025-005, pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder.<sup>2</sup> The proposed rule change was published for comment in the *Federal Register* on April 25, 2025.<sup>3</sup> The Commission has received no comments on the changes proposed.

On May 9, 2025, NSCC filed a partial amendment to the proposed rule changes (“Amendment No. 1”) to provide supplemental information to assist the Commission in its analysis of the proposed rule changes.<sup>4</sup> Partial Amendment No. 1 does not substantively change the proposed rule changes. The proposed rule changes, as modified by Partial Amendment No. 1,

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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> *See* Securities Exchange Act Release No. 102893 (Apr. 21, 2025), 90 FR 17491 (Apr. 25, 2025) (File No. SR-NSCC-2025-005) (“Notice of Filing”).

<sup>4</sup> Partial Amendment No. 1 consists of NSCC’s Market Risk Management Procedures, filed as a confidential Exhibit 3 to the proposed rule changes (“Confidential Exhibit 3”), describing in greater detail how NSCC would implement the proposed rule changes. NSCC has requested confidential treatment of Exhibit 3, pursuant to 17 CFR 240.24b-2.

are hereinafter referred to as the “Proposed Rule Change.” The Commission is publishing this notice to solicit comments on Amendment No. 1 from interested persons, and for the reasons discussed below, the Commission is approving the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

## II. BACKGROUND

### A. Recent Amendments to Covered Clearing Agency Margin Requirements

On October 25, 2024, the Commission adopted amendments to 17 CFR 240.17ad-22(e)(6)(ii) (“Rule 17Ad-22(e)(6)(ii)”) in the Covered Clearing Agency Standards (“CCA Standards”) under the Act to add new requirements related to the monitoring and collection of intraday margin by a covered clearing agency (“CCA”).<sup>5</sup> Specifically, the Commission amended Rule 17ad–22(e)(6)(ii) 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 two examples of such circumstances; and (iii) require that a CCA document when it determines not to make an intraday margin call pursuant to its written policies and procedures. NSCC represents that its Proposed Rule Change is primarily designed to ensure compliance with these new requirements.

As part of the CCAS Margin Rules, the Commission also adopted amendments to 17 CFR 240.17ad-22(e)(6)(iv) (“Rule 17Ad-22(e)(6)(iv)”) to strengthen its requirements that a CCA have policies and procedures reasonably designed to cover its credit exposures to its participants

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<sup>5</sup> See Covered Clearing Agency Resilience and Recovery and Orderly Wind-Down Plans, Exchange Act Release No. 101446 (Oct. 25, 2024), 89 FR 91000 (Nov. 18, 2024) (hereinafter, “CCAS Margin Rules”).

by establishing a risk-based margin system that, among other things, uses reliable sources for its price data and uses procedures for addressing circumstances in which price data are not readily available or reliable.<sup>6</sup> NSCC represents that its Proposed Rule Change is primarily designed to ensure compliance with these new requirements.

#### B. Overview of NSCC's Margin Methodology

NSCC provides central counterparty (“CCP”) services, including clearing, settlement, risk management, and a guarantee of completion for virtually all broker-to-broker trades involving equity securities, corporate and municipal debt, exchange traded funds (“ETFs”), and unit investment trusts. As a CCP, NSCC interposes itself as the buyer to every seller and seller to every buyer for the transactions it clears. In doing so, NSCC is exposed to the risk that one or more of its members may fail to make a payment or deliver securities.

A key tool NSCC uses to manage this credit exposure to its members is determining and collecting a Required Fund Deposit<sup>7</sup> (*i.e.*, margin) from each member on at least a daily basis. The objective of a member's margin 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> The aggregate amount of all members' margin constitutes NSCC's Clearing Fund. NSCC would access its Clearing Fund should a defaulting member's own margin

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<sup>6</sup> *See id.*

<sup>7</sup> Capitalized terms not defined herein shall have the meaning assigned to such terms in the NSCC Rules & Procedures (“Rules”), *available at* [www.dtcc.com/legal/rules-and-procedures](http://www.dtcc.com/legal/rules-and-procedures).

<sup>8</sup> The Rules identify when NSCC may cease to act for a member and the types of actions NSCC may take. For example, NSCC may suspend a firm's membership with NSCC or prohibit or limit a member's access to NSCC services in the event that member defaults on a financial or other obligation to NSCC. *See* Rule 46 (Restrictions on Access to Services) of the Rules, *supra* note 7.

be insufficient to satisfy losses to NSCC caused by the liquidation of that member's portfolio.<sup>9</sup> Each member's margin consists of several components, each of which is calculated to address specific risks NSCC faces based on that member's trading activity and unsettled positions.<sup>10</sup>

### C. NSCC's Current Intraday Margin Rules

NSCC currently has the authority and operational capacity to collect intraday margin on two margin components, the mark-to-market component and the volatility component (collectively, "intraday margin"), based on established calculations and thresholds used to trigger the potential collection of such margin.<sup>11</sup> First, the intraday mark-to-market component is designed to measure the change in market value of unsettled and pending positions of each member since the last marked-to-market margin collection.<sup>12</sup> An intraday mark-to-market charge generally may be imposed if the resulting calculation meets or exceeds 80 percent of that member's volatility component amount included in that member's start of day Required Fund Deposit.<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.<sup>14</sup>

Second, NSCC's intraday volatility component is designed to measure the change in NSCC's potential future exposure, i.e., market price risk, of a member's unsettled positions since

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<sup>9</sup> See Rule 4 (Clearing Fund), *supra* note 7.

<sup>10</sup> See Procedure XV within NSCC's Rules, *supra* note 7 (describing NSCC's Clearing Fund formula and methodology).

<sup>11</sup> Intraday mark-to-market and volatility exposures are calculated for CNS ("continuous net settlement") Positions, Balance Order positions, and SFT ("securities financing transactions") Positions. See Rule 56 and Procedure XV of NSCC's Rules, *supra* note 7.

<sup>12</sup> See Notice of Filing, *supra* note 3, at 17492.

<sup>13</sup> See *id.*

<sup>14</sup> See *id.*

the last volatility margin collection with a high degree of confidence.<sup>15</sup> An intraday volatility charge generally may be imposed if the resulting calculation meets or exceeds 100 percent of that member's volatility component amount included in that member's start of day Required Fund Deposit and the amount would be greater than \$250,000.<sup>16</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.<sup>17</sup>

NSCC currently monitors its intraday mark-to-market and volatility exposures to each member in 15 minute intervals throughout the day.<sup>18</sup> 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 mark-to-market and/or volatility charges.<sup>19</sup>

#### D. NSCC's Current MLA Charge for Certain Equity ETFs

The MLA Charge is a margin component of NSCC's daily Required Fund Deposit and is designed to address the potential increased market impact costs of liquidating a defaulting member's portfolio that includes large positions in a particular group of securities with a similar risk profile.<sup>20</sup> Such large positions may be more difficult to liquidate in the market in the event the member defaults because of concentration in that group of securities could reduce the

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<sup>15</sup> NSCC's potential future exposure is based on the interval between the last margin collection and the close out of a defaulting member's positions, assuming a three day liquidation period. *See* NSCC Disclosure Framework for Covered Clearing Agencies and Financial Market Infrastructures, December 2024, available at <https://www.dtcc.com/-/media/Files/Downloads/legal/policy-and-compliance/NSCC-DISCLOSURE-FRAMEWORK-2024-Q3-Q4.pdf> ("Disclosure Framework").

<sup>16</sup> *See* Notice of Filing, *supra* note 3, at 17492.

<sup>17</sup> *See id.*

<sup>18</sup> *See* Notice of Filing, *supra* note 3, at 17493. *See also*, Disclosure Framework, *supra* note 15, at 44.

<sup>19</sup> *See id.*

<sup>20</sup> *See* Disclosure Framework, *supra* note 15, at 56.

marketability of those large positions.<sup>21</sup> Therefore, such portfolios create a risk that NSCC may face increased market impact costs to liquidate that portfolio in the assumed margin period of risk of three business days at market prices.<sup>22</sup>

To determine the MLA Charge for equity ETFs with in-kind baskets,<sup>23</sup> NSCC runs two separate calculations to compare and determine the “impact cost” of liquidating the ETF.<sup>24</sup> 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>25</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.<sup>26</sup>

### **III. DESCRIPTION OF THE PROPOSED RULE CHANGE**

#### **A. Proposed Changes to Intraday Margin**

NSCC proposes to amend its rules concerning the ongoing monitoring, calculation, and collection of intraday margin to ensure compliance with the newly adopted CCAS Margin

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<sup>21</sup> *See id.* at 45.

<sup>22</sup> *See id.*

<sup>23</sup> The MLA Charge is applied to CNS Positions, Balance Order positions, and SFT Positions. *See* Rule 56 and Procedure XV of NSCC’s Rules, *supra* note 7.

<sup>24</sup> *See* Notice of Filing, *supra* note 3, at 17495.

<sup>25</sup> *See id.*

<sup>26</sup> *See id.*

Rules.<sup>27</sup> First, NSCC proposes to explicitly state it will monitor and recalculate its intraday exposures on an ongoing basis, during such times and at such frequency as set by NSCC, which NSCC will communicate to its members on NSCC’s public website.

Second, NSCC proposes to clarify that NSCC may collect intraday margin “as frequently as circumstances warrant” including in the two circumstances the Commission defined in the CCAS Margin Rules: (1) when specific risk thresholds are breached, or (2) when the products cleared or markets served display elevated volatility. While NSCC has already established its authority to lower the intraday risk thresholds in volatile market conditions, NSCC proposes to add a non-exhaustive list of examples<sup>28</sup> to help clarify when it considers markets to display elevated volatility that would justify such a reduction. NSCC also proposes to add new authority to lower intraday risk thresholds for individual members or groups of members 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 or group.

Third, NSCC proposes to provide additional detail around NSCC’s process for determining whether to collect intraday margin. Specifically, NSCC provides it may determine not to collect intraday margin or may decrease the amount of intraday margin in circumstances where NSCC determined that the intraday exposure of the member or breaches of certain thresholds do not accurately reflect its risk exposure to that member. In addition to the two

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<sup>27</sup> See CCAS Margin Rules, *supra* note 5.

<sup>28</sup> For both the intraday mark-to-market and volatility risk thresholds, NSCC provides for the occurrence of large price changes in a major benchmark equity index as one example. For the intraday volatility risk threshold, NSCC provides for ETF index rebalancing periods as another example.

existing examples of such circumstances,<sup>29</sup> NSCC proposes to add two new examples NSCC may consider with respect to such a determination: (1) market conditions or portfolio composition result in the defined thresholds not being breached on a consistent or persistent basis, and (2) the defined threshold was met due to erroneous data inputs. Additionally, NSCC proposes to add a waiver provision for the intraday volatility charge only. NSCC's proposed waiver provision stipulates NSCC may waive the intraday volatility charge, that it may otherwise ordinarily collect, in exigent circumstances if NSCC determines that such a waiver is necessary to protect NSCC, its participants, investors and the public interest or it can effectively address the risk exposure presented by the member without the collection of such charge.

Last, NSCC proposes to add a requirement that any reduction or determination not to collect intraday margin, or any waiver of the intraday volatility charge, shall be approved, documented, and reviewed on a regular basis.<sup>30</sup> Pursuant to NSCC's Market Risk Management Procedures, NSCC's market risk management team monitors members' open positions and exposures and identifies accounts that exceed certain pre-established thresholds.<sup>31</sup> These threshold breaches trigger research, review, and escalation actions, including recommendations for making an intraday margin call.<sup>32</sup> If a recommendation to collect intraday margin is made, this recommendation is escalated to more senior members of the market risk management team

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<sup>29</sup> The two existing examples include: (1) trades will be offset by trades submitted later in the day, and (2) the defined threshold was met due to the submission of erroneous trades that are being corrected. NSCC's list of examples are non-exhaustive.

<sup>30</sup> NSCC also proposes to make a conforming change to Section 12(c) of NSCC Rule 56 to clarify that NSCC's underlying procedures also apply to intraday mark-to-market and intraday volatility charges on a member's SFT Positions.

<sup>31</sup> See Notice of Filing, *supra* note 3, at 17493.

<sup>32</sup> See *id.*

in accordance with specified escalation procedures.<sup>33</sup> Alternatively, if a recommendation not to collect or to reduce intraday margin or to waive an intraday volatility charge is made, this recommendation similarly must be approved, and a member of the market risk management team documents this determination in accordance with NSCC’s Market Risk Management Procedures.<sup>34</sup> As mentioned above, these determinations also are reviewed on a regular basis pursuant to NSCC’s Market Risk Management Procedures.<sup>35</sup>

B. Proposed Changes to MLA Charge for Certain Equity ETFs

NSCC proposes to clarify that, if certain data inputs needed to determine the 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. NSCC states this proposed change is intended to address limited scenarios where NSCC may be unable to perform both calculations for comparison.

C. Other Proposed Changes

NSCC proposes to add language applicable to NSCC Procedure XV<sup>36</sup> noting that all times may be extended as needed by NSCC as it relates to Clearing Fund calculations and collections. NSCC specifies the circumstances in which it may need to extend times including to (1) address operational or other delays that would reasonably prevent members or NSCC from meeting the deadline or timeframe, as applicable, or (2) allow NSCC time to operationally

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<sup>33</sup> *See id.* Confidential Exhibit 3 provides more detail on the process for intraday margin collection. *See* Confidential Exhibit 3, *supra* note 4.

<sup>34</sup> *See id.* Confidential Exhibit 3 provides more detail on the process for waiver and documentation. *See* Confidential Exhibit 3, *supra* note 4.

<sup>35</sup> *See id.* Confidential Exhibit 3 provides more detail on the process for the regular review of waiver determinations. *See* Confidential Exhibit 3, *supra* note 4.

<sup>36</sup> NSCC also proposes to renamed Procedure XV to “Clearing Fund Formula and Methodology.”

exercise its existing rights under its Rules. NSCC also proposes to add language that all times applicable to NSCC are standards and not deadlines, and actual processing times may vary slightly, as necessary.

#### **IV. DISCUSSION AND COMMISSION FINDINGS**

Section 19(b)(2)(C) of the Act<sup>37</sup> directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Exchange Act and the rules and regulations thereunder applicable to such organization. After carefully considering the Proposed Rule Change, the Commission finds that the proposal is consistent with the requirements of the Exchange Act and the rules and regulations thereunder applicable to NSCC. More specifically, the Commission finds that the proposal is consistent with Section 17A(b)(3)(F) of the Exchange Act,<sup>38</sup> and Rules 17Ad-22(e)(6)(i), 17Ad-22(e)(6)(ii), 17Ad-22(e)(6)(iv), and 17Ad-22(e)(23)<sup>39</sup> under the Act.

##### **A. Consistency with Section 17A(b)(3)(F) of the Act**

Section 17A(b)(3)(F) of the Act requires, in part, that the rules of a registered 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 its custody or control or for which it is responsible, and, in general, to protect investors and the public interest.<sup>40</sup> The

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<sup>37</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>38</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>39</sup> 17 CFR 240.17ad-22(e)(4)(i), 17 CFR 240.17ad-22(e)(6)(i), 17 CFR 240.17ad-22(e)(6)(ii), 17Ad-22(e)(6)(iv), 17 CFR 240.17ad-22(e)(19), 17 CFR 240.17ad-22(e)(23).

<sup>40</sup> 15 U.S.C. 78q-1(b)(3)(F).

Proposed Rule Change is consistent with Section 17A(b)(3)(F) of the Act<sup>41</sup> for the reasons discussed below.

As described in Section III.A. above, NSCC proposes to provide additional detail in its Rules regarding the ongoing monitoring, calculation, and collection of intraday margin. Specifically, NSCC proposes to explicitly state it will monitor and recalculate its intraday exposures on an ongoing basis and to require NSCC to communicate the times and frequency of intraday exposures to its members on its public website. NSCC also proposes to specify when it considers market conditions to be volatile and how it will make a determination whether to collect intraday margin. The added details around NSCC's intraday margin processes should help members better understand their potential intraday margin obligations to NSCC, thereby enabling them to plan for and meet their obligations to NSCC when due.

Additionally, NSCC proposes new authority to lower risk thresholds for individual members or groups in certain circumstances and proposes new NSCC requirements that any reduction or determination not to collect intraday margin, or any waiver of an intraday volatility charge must be approved, documented, and reviewed on a regular basis. These proposed changes should help NSCC collect sufficient margin to cover its intraday exposures to its members.

Similarly, as described in Section III.B., NSCC proposed clarification to its MLA calculations for equity ETFs should help ensure NSCC is still able to calculate and collect sufficient margin to cover potential market impact costs even when certain data inputs for the Create/Redeem Calculation are unavailable. And as described in Section III.C., NSCC proposes to clarify flexibility in the timelines established by NSCC for monitoring, calculating, and collecting daily Required Fund Deposits, generally. NSCC's proposed clarifications to its MLA

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<sup>41</sup> *Id.*

calculation and the flexibility in its timelines should help members better understand their potential margin obligations to NSCC generally, thereby enabling them to plan for and meet their obligations to NSCC when due.

Given the objective of a member's margin to mitigate potential losses to NSCC associated with the liquidation of a defaulting member's portfolio, NSCC's ability to collect sufficient margin should help ensure NSCC is able to continue to effect the prompt and accurate clearance and settlement of securities transactions despite a member default. Furthermore, in the event a defaulting member's margin proved insufficient, NSCC would mutualize the remaining losses to non-defaulting members by accessing the Clearing Fund. Therefore, by increasing the likelihood NSCC collects sufficient margin from each member, the proposed changes should help 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.

Accordingly, for the reasons discussed above, the Proposed Rule Change is consistent with the requirements of Section 17A(b)(3)(F) of Act.<sup>42</sup>

B. Consistency with Rule 17ad-22(e)(6)(i)

Rule 17Ad-22(e)(6)(i) requires that a CCA that provides CCP services, such as NSCC, establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposure to its participants by establishing a risk-based margin system that, at a minimum, considers and produces margin levels commensurate with the risks and particular

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<sup>42</sup> *Id.*

attributes of each relevant product, portfolio, and market.<sup>43</sup> For the following reasons, the Proposed Rule Change is consistent with Rule 17ad-22(e)(6)(i).<sup>44</sup>

As described in Section II. above, a key tool NSCC uses to manage its credit exposure to its members is determining and collecting margin from each member on at least a daily basis. As described in Section III.B., NSCC's proposed clarification to its MLA Charge for ETFs should help NSCC calculate and collect sufficient margin to cover potential market impact costs even when certain data inputs are unavailable.

Therefore, these changes should help ensure NSCC's margin system identifies the risks and particular attributes present in the portfolios of its members, and produces margin levels commensurate to such risk and are consistent with Rule 17Ad-22(e)(6)(i).<sup>45</sup>

C. Consistency with Rule 17ad-22(e)(6)(ii)

Rule 17Ad-22(e)(6)(ii)<sup>46</sup> requires a CCA that provides CCP services, such as NSCC, to establish, implement, maintain, and enforce written policies and procedures reasonably designed to cover its credit exposure to its participants by establishing a risk-based margin system that, at a minimum: (A) marks participant positions to market and collects margin at least daily; (B) monitors intraday exposure on an ongoing basis; (C) includes the authority and operational capacity to make intraday margin calls as frequently as circumstances warrant, including (1) when risk thresholds specified by the CCA are breached, and (2) when the products cleared or markets served display elevated volatility; and (D) documents when the CCA determines not to

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<sup>43</sup> 17 CFR 240.17Ad-22(e)(6)(i).

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> 17 CFR 240.17Ad-22(e)(6)(ii).

make an intraday call pursuant to its written policies and procedures.<sup>47</sup> For the following reasons, the Proposed Rule Change is consistent with Rule 17ad-22(e)(6)(ii).<sup>48</sup>

As described in Sections II and III above, NSCC currently charges margin at least daily and has the authority and operational capacity to make intraday margin calls. While NSCC currently monitors its intraday exposures, NSCC proposes to explicitly state in its Rules its obligation to monitor its intraday exposures on an ongoing basis, which NSCC represents it currently does in 15 minute intervals.<sup>49</sup> Also, NSCC proposes to clarify in its rules that it has the authority and operational capacity to collect intraday margin as frequently as circumstances warrant. Moreover, while NSCC currently has established risk thresholds which can be lowered in volatile market conditions, NSCC is providing additional details in its Rules addressing its process for determining whether to charge intraday margin and when it considers markets to display elevated volatility.

NSCC also proposes new authority to collect margin from an individual member or group, based on lowered risk thresholds, 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 or group. Finally, NSCC proposes new requirements that any reduction or determination not to collect intraday margin, or any waiver of an intraday volatility charge must be approved, documented, and reviewed on a regular basis.

Therefore, the Proposed Rule Change is consistent with the requirements for Rule 17Ad-22(e)(6)(ii).

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<sup>47</sup> 17 CFR 240.17Ad-22(e)(6)(ii).

<sup>48</sup> *Id.*

<sup>49</sup> *See* Notice of Filing, *supra* note 3, at 17492.

D. Consistency with Rule 17ad-22(e)(6)(iv)

Rule 17Ad-22(e)(6)(iv) requires a CCA that provides CCP services, such as NSCC, to establish, implement, maintain, and enforce written policies and procedures reasonably designed to cover its credit exposure to its participants by establishing a risk-based margin system that, at a minimum: (A) uses reliable sources of timely price data and other substantive inputs; (B) 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 covered clearing agency can continue to meet its obligations under this section; and (C) such procedures under paragraph (e)(6)(iv)(B) of this section must include either: (1) the use of price data or substantive inputs from an alternate source; or (2) 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.<sup>50</sup>

As described in Section III.B., NSCC proposes to clarify that, if certain data inputs needed to determine its 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. NSCC states this proposed change is intended to address limited scenarios where NSCC may be unable to perform both calculations for comparison and represents that it may be appropriate to use the Baseline Calculation to determine the impact cost and resulting MLA charge for the ETFs in question.<sup>51</sup> Therefore, NSCC's proposed changes clarifying how it calculates the MLA Charge in these limited scenarios should ensure that NSCC is able to

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<sup>50</sup> 17 CFR 240.17Ad-22(e)(6)(iv).

<sup>51</sup> See Notice of Filing, *supra* note 3, at 17495.

continue to use a risk-based margin system that does not rely on substantive inputs that are unavailable or unreliable.

Therefore, the Proposed Rule Change is consistent with the requirements for Rule 17Ad-22(e)(6)(iv).<sup>52</sup>

E. Consistency with Rule 17Ad-22(e)(23)

Rule 17Ad-22(e)(23)(ii)<sup>53</sup> under the Act requires each CCA to establish, implement, maintain, and enforce written policies and procedures reasonably designed to, among other things, provide sufficient information to enable participants to identify and evaluate the risks, fees, and other material costs they incur by participating in the CCA. Based on the reasons described below, the Proposed Rule Change is consistent with the requirements of Rule 17Ad-22(e)(23)(ii).<sup>54</sup>

As described in Section III.A above, NSCC proposes to clarify its processes for monitoring, calculating, and determining whether to collect intraday margin. NSCC proposes to add a requirement that it will post its intraday risk monitoring times and frequencies on its public website. Similarly, as described in Section III.B., NSCC proposed clarification to its MLA calculations for equity ETFs should ensure NSCC is still able to calculate and collect sufficient margin to cover potential market impact costs even when certain data inputs for the Create/Redeem Calculation are unavailable. And as described in Section III.C., NSCC proposes to clarify the flexibility in the timelines established by NSCC for monitoring, calculating, and collecting daily Required Fund Deposits, generally. Therefore, NSCC's proposed changes should

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<sup>52</sup> 17 CFR 240.17Ad-22(e)(6)(iv).

<sup>53</sup> 17 CFR 240.17Ad-22(e)(23)(ii).

<sup>54</sup> *Id.*

facilitate providing sufficient information to enable participants to identify and evaluate the risks, fees, and other materials costs they incur by participating in the CCA.

Thus, the Proposed Rule Change is consistent with the requirements of Rule 17Ad-22(e)(23)(ii) under the Act.<sup>55</sup>

## V. SOLICITATION OF COMMENTS

Interested persons are invited to submit written data, views and arguments concerning whether Partial Amendment No. 1 is consistent with the Act. Comments may be submitted by any of the following methods:

### Electronic Comments:

- Use the Commission's internet comment form (<http://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. The file number should be included on the subject line if email 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 (<http://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

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<sup>55</sup> *Id.*

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 a.m. and 3 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.aspx>). 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 DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

**VI. ACCELERATED APPROVAL OF THE PROPOSED RULE CHANGES, AS MODIFIED BY PARTIAL AMENDMENT NO. 1**

The Commission finds good cause, pursuant to Section 19(b)(2)(C)(iii) of the Act,<sup>56</sup> to approve the proposed rule changes, as modified by Partial Amendment No. 1, prior to the thirtieth day after the date of publication of Partial Amendment No. 1 in the *Federal Register*. As noted above, in Partial Amendment No. 1, NSCC filed Confidential Exhibit 3 to the proposed rule changes<sup>57</sup> to provide NSCC’s Market Risk Management Procedures, which provides supplemental information to assist the Commission in its analysis of the Proposed Rule Changes. Partial Amendment No. 1 neither modifies the proposed rule changes as originally published in any substantive manner, nor does Partial Amendment No. 1 affect any rights or obligations of the

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<sup>56</sup> 15 U.S.C. 78s(b)(2)(C)(iii).

<sup>57</sup> See Confidential Exhibit 3, *supra* note 5.

NSCC or its members. Instead, Partial Amendment No. 1 includes NSCC's Market Risk Management Procedures that NSCC would follow to implement its margin rules, including those aspects of its margin rules affected by the proposed rule changes. Additionally, since NSCC filed Partial Amendment No. 1 on May 9, 2025, the Commission has had sufficient time to review and consider Partial Amendment No.1 as part of its analysis of the proposed rule changes.

Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2)(C)(iii) of the Act,<sup>58</sup> to approve the proposed rule changes, as modified by Partial Amendment No. 1, prior to the thirtieth day after the date of publication of notice of Partial Amendment No. 1 in the *Federal Register*.

## VII. CONCLUSION

On the basis of the foregoing, the Commission finds that the Proposed Rule Change is consistent with the requirements of the Act and in particular the requirements of Section 17A of the Act<sup>59</sup> and the rules and regulations thereunder.

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<sup>58</sup> 15 U.S.C. 78s(b)(2)(C)(iii).

<sup>59</sup> 15 U.S.C. 78q-1.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act<sup>60</sup> that proposed rule change SR-NSCC-2025-005, as modified by Partial Amendment No. 1, be, and hereby is, APPROVED.<sup>61</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>62</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>60</sup> 15 U.S.C. 78s(b)(2).

<sup>61</sup> In approving the Proposed Rule Change, the Commission considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>62</sup> 17 CFR 200.30-3(a)(12).