

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-73644; File No. SR-NSCC-2014-10)

November 19, 2014

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Clarify that Federal Reserve Banks, Central Counterparties, and Central Securities Depositories Shall Not Be Considered Either “Mandatory Purchaser Participants” or “Voluntary Purchaser Participants”

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> notice is hereby given that on November 12, 2014, 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 NSCC. NSCC filed the proposed rule change pursuant to Section 19(b)(3)(A)<sup>3</sup> of the Act and Rule 19b-4(f)(1)<sup>4</sup> thereunder. The proposed rule change was effective upon filing with the Commission. 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 Rule 64 Rules & Procedures (“Rules”) of NSCC in order to clarify that Federal Reserve Banks, central counterparties, and central securities depositories shall not be considered either

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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> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(1).

“Mandatory Purchaser Participants” or “Voluntary Purchaser Participants” as such terms are defined therein, as more fully described below.

II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, NSCC 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. NSCC 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

Pursuant to the Third Amended and Restated Shareholders Agreement, dated as of December 7, 2005 (“Shareholders Agreement”), by and among The Depository Trust & Clearing Corporation (“DTCC”), The Depository Trust Company (“DTC”), NSCC, Fixed Income Clearing Corporation (“FICC”) and the other parties thereto, and NSCC Rule 64: (1) Members (as such term is defined in the Rules<sup>5</sup>) other than non-U.S. based central securities depositories are required to be “Mandatory Purchaser Participants” (as such term is defined in Rule 64) and be parties to the Shareholders Agreement; (2) users whose use of NSCC is more limited and does not include the guaranteed services, *i.e.*, Fund Members, Insurance Carrier/Retirement Services Members, Municipal Comparison Only Members, and Mutual Fund/Insurance Services Members (as such terms are defined in the Rules), are permitted, but not required, to purchase and own shares of DTCC

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<sup>5</sup> NSCC’s Rules are available at <http://dtcc.com/legal/rules-and-procedures.aspx>.

common stock (“Common Shares”) and be parties to the Shareholders Agreement; and (3) all other users *i.e.*, Data Services Only Members, Commission Billing Members, Settling Bank Only Members, Investment Manager/Agent Members, TPP Members, TPA Members, AIP Members, and AIP Settling Bank Only Members (as such terms are defined in the Rules), are not permitted to purchase and own Common Shares or be parties to the Shareholders Agreement.

NSCC is proposing to amend Rule 64, as marked on Exhibit 5 hereto, in order to make clear Federal Reserve Banks, central counterparties, and central securities depositories shall not be considered either Mandatory Purchaser Participants or Voluntary Purchaser Participants (as such terms are defined in Rule 64). NSCC has interpreted Rule 64 to exclude from its provisions: (1) Federal Reserve Banks, because it was never intended that such governmental authorities should be required to own shares in DTCC notwithstanding that they may use certain services of NSCC; and (2) central counterparties and central securities depositories, because link arrangements between NSCC and these entities are for the purpose of extending clearing agency services across borders or among closely related activities and products, but not for ownership purposes.

## 2. Statutory Basis

The proposed rule change is consistent with the Act, and the rules and regulations thereunder, in particular Section 17A(b)(3)(C) which requires that the rules of NSCC “assure a fair representation of its shareholders (or members) and participants in the selection of its directors and administration of its affairs . . . [and the Commission] may determine that the representation of participants is fair if they are afforded a reasonable opportunity to acquire voting stock of the clearing agency, directly or indirectly, in

reasonable proportion to their use of such clearing agency.”<sup>6</sup> NSCC implements and meets this requirement through NSCC Rule 64, which afford NSCC’s Members a reasonable opportunity to acquire voting stock indirectly in the clearing agency in reasonable proportion to their use of the clearing agency.<sup>7</sup> The proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of this existing rule.

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

The proposed rule change will not have any impact, or impose any burden, on competition.

(C) Clearing Agency’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments relating to the proposed rule change have not yet been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>8</sup> of the Act and paragraph (f) of Rule 19b-4<sup>9</sup> thereunder. At any time

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<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(C).

<sup>7</sup> See Commission orders approving NSCC and DTC’s rule filings which implemented the current stock ownership structure that satisfies the fair representation requirements. Securities Exchange Act Release No. 41800 (August 27, 1999), 64 FR 48694 (September 7, 1999) (SR-NSCC-1999-10); and Securities Exchange Act Release No. 41786 (August 24, 1999), 64 FR 47882 (September 1, 1999) (SR-DTC-1999-17).

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f).

within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### 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 (<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-2014-10 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC, 20549-1090.

All submissions should refer to File Number SR-NSCC-2014-10. 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 (<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 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 NSCC's website at <http://dtcc.com/legal/sec-rule-filings.aspx>. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NSCC-2014-10 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>10</sup> 17 CFR 200.30-3(a)(12).