

(“OMB”) a request for approval of extension of the previously approved collection of information provided for in Rule 18a-1 (17 CFR 240.18a-1), under the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*) (“Exchange Act”).

Rule 18a-1 establishes net capital requirements for nonbank security-based swap dealers that are not also broker-dealers registered with the Commission (“stand-alone SBSBs”). First, under paragraphs (a)(2) and (d) of Rule 18a-1, a stand-alone SBSB may apply to the Commission to be authorized to use internal value-at-risk (“VaR”) models to compute net capital and a stand-alone SBSB authorized to use internal models must review and update the models it uses to compute market and credit risk, as well as back-test the models. Second, under paragraph (f) of Rule 18a-1, a stand-alone SBSB is required to comply with certain requirements of Exchange Act Rule 15c3-4 (17 CFR 240.15c3-4). Rule 15c3-4 requires OTC derivatives dealers and firms subject to its provisions to establish, document, and maintain a system of internal risk management controls to assist the firm in managing the risks associated with business activities, including market, credit, leverage, liquidity, legal, and operational risks. Third, for purposes of calculating “haircuts” on credit default swaps, paragraph (c)(1)(vi)(B)(1)(iii) of Rule 18a-1 requires stand-alone SBSBs that are not using internal models to use an industry sector classification system that is documented and reasonable in terms of grouping types of companies with similar business activities and risk characteristics. Fourth, under paragraph (h) of Rule 18a-1, stand-alone SBSBs are required to provide the Commission with certain written notices with respect to equity withdrawals. Fifth, under paragraph (c)(5) of Appendix D to Rule 18a-1 (17 CFR 240.18a-1d), stand-alone SBSBs are required to file with the Commission two copies of any proposed subordinated loan agreement (including nonconforming subordinated loan agreements) at least 30 days prior to the proposed execution date of the agreement. Finally, under paragraph (c)(1)(ix)(C) of Rule 18a-1, a nonbank SBSB may treat collateral held by a third-party custodian to meet an initial margin requirement of a security-based swap or swap customer as being held by the nonbank SBSB for purposes of the capital in lieu of margin charge provisions of the rule if certain conditions are met. In particular, the SBSB must execute an account control agreement and must maintain written documentation of its analysis that in the

event of a legal challenge the account control agreement would be held to be legal, valid, binding, and enforceable under the applicable law.

The aggregate annual burden for all respondents is estimated to be 21,024 hours. The aggregate annual cost burden for all respondents is estimated to be \$ 2,598,500.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information under the PRA unless it displays a currently valid OMB control number.

The public may view background documentation for this information collection at the following website: www.reginfo.gov. Find this particular information collection by selecting “Currently under 30-day Review—Open for Public Comments” or by using the search function. Written comments and recommendations for the proposed information collection should be sent by October 17, 2022 to (i) www.reginfo.gov/public/do/PRAMain and (ii) David Bottom, Director/Chief Information Officer, Securities and Exchange Commission, c/o John Pezzullo, 100 F Street NE, Washington, DC 20549, or by sending an email to: PRA_Mailbox@sec.gov.

Dated: September 12, 2022.

J. Matthew DeLesDernier,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-95725; File No. SR-NSCC-2022-006]

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Instituting Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change To Amend the Stress Testing Framework and Liquidity Risk Management Framework

September 9, 2022.

I. Introduction

On May 26, 2022, National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change SR-NSCC-2022-006 (the “Proposed Rule Change”) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) ¹ and Rule 19b-4 thereunder.² The Proposed Rule Change was published for comment in

the **Federal Register** on June 15, 2022,³ and the Commission has received no comments regarding the changes proposed in the Proposed Rule Change.

On July 14, 2022, pursuant to Section 19(b)(2) of the Act,⁴ the Commission designated a longer period within which to approve, disapprove, or institute proceedings to determine whether to approve or disapprove the Proposed Rule Change.⁵ This order institutes proceedings, pursuant to Section 19(b)(2)(B) of the Act,⁶ to determine whether to approve or disapprove the Proposed Rule Change.

II. Summary of the Proposed Rule Change

As described in the Notice, NSCC proposes to amend the Clearing Agency Stress Testing Framework (Market Risk) (“ST Framework”) and the Clearing Agency Liquidity Risk Management Framework (“LRM Framework,” and, together with the ST Framework, the “Frameworks”) of NSCC and its affiliates, The Depository Trust Company (“DTC”) and Fixed Income Clearing Corporation (“FICC,” and together with NSCC and DTC, the “Clearing Agencies”).⁷

First, the proposed changes would amend both the ST Framework and the LRM Framework to move descriptions of the Clearing Agencies’ liquidity stress testing activities from the LRM Framework to the ST Framework. In connection with this proposed change, the Clearing Agencies propose to recategorize the stress scenarios used for liquidity risk management, such that all such stress scenarios are described as either regulatory or informational scenarios.

Second, the proposed changes would amend the ST Framework to (1) enhance stress testing for the Government Securities Division of FICC (“GSD”) to obtain certain data utilized in stress testing from external vendors and implement a back-up stress testing calculation that would be utilized in the event such data is not supplied by its vendors, and amend the ST Framework to reflect these practices for both GSD

³ Securities Exchange Act Release No. 95078 (June 10, 2022), 87 FR 36158 (June 15, 2022) (File No. SR-NSCC-2022-006).

⁴ 15 U.S.C. 78s(b)(2).

⁵ Securities Exchange Act Release No. 95283 (July 14, 2022), 87 FR 43354 (July 20, 2022) (SR-NSCC-2022-006).

⁶ 15 U.S.C. 78s(b)(2)(B).

⁷ The description of the Proposed Rule Change is based on the statements prepared by NSCC in the Notice. See Notice, *supra* note 3. Capitalized terms used herein and not otherwise defined herein are defined in the Rules, available at https://www.dtcc.com/-/media/Files/Downloads/legal/rules/nsc_rules.pdf.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

and the Mortgage-Backed Securities Division of FICC (“MBSD”); (2) reflect that a stress testing team is primarily responsible for the actions described in the ST Framework, and (3) make other revisions to update and clarify certain statements in the ST Framework.

Third, the proposed changes would amend the LRM Framework to update and clarify certain statements in the LRM Framework.

III. Proceedings To Determine Whether To Approve or Disapprove the Proposed Rule Change and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act⁸ to determine whether the Proposed Rule Change should be approved or disapproved. Institution of proceedings is appropriate at this time in view of the legal and policy issues raised by the Proposed Rule Change. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, the Commission seeks and encourages interested persons to comment on the Proposed Rule Change, providing the Commission with arguments to support the Commission’s analysis as to whether to approve or disapprove the Proposed Rule Change.

Pursuant to Section 19(b)(2)(B) of the Act,⁹ the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of, and input from commenters with respect to, the Proposed Rule Change’s consistency with Section 17A of the Act,¹⁰ and the rules thereunder, including the following provisions:

- Section 17A(b)(3)(F) of the Act,¹¹ which requires, among other things, that the rules of a clearing agency must 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 to protect investors and the public interest; and

- Rule 17Ad–22(e)(4) of the Act,¹² which requires that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor,

and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes.

- Rule 17Ad–22(e)(7) of the Act,¹³ which requires a covered clearing agency to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity.

IV. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their views, data, and arguments with respect to the issues identified above, as well as any other concerns they may have with the Proposed Rule Change. In particular, the Commission invites the written views of interested persons concerning whether the Proposed Rule Change is consistent with Section 17A(b)(3)(F) of the Act,¹⁴ and Rules 17Ad–22(e)(4) and (e)(7) of the Act,¹⁵ or any other provision of the Act, or the rules and regulations thereunder.

Interested persons are invited to submit written data, views, and arguments regarding whether the Proposed Rule Change should be approved or disapproved by October 6, 2022. Any person who wishes to file a rebuttal to any other person’s submission must file that rebuttal by October 20, 2022.

The Commission asks that commenters address the sufficiency of NSCC’s statements in support of the Proposed Rule Change, which are set forth in the Notice,¹⁶ in addition to any other comments they may wish to submit about the Proposed Rule Change.

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 email to rule-comments@sec.gov. Please include File Number SR–NSCC–2022–006 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–2022–006. This 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 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 (<http://dtcc.com/legal/sec-rule-filings.aspx>). All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–NSCC–2022–006 and should be submitted on or before October 6, 2022. Rebuttal comments should be submitted by October 20, 2022.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

J. Matthew DeLesDernier,
Deputy Secretary.

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⁸ 15 U.S.C. 78s(b)(2)(B).

⁹ *Id.*

¹⁰ 15 U.S.C. 78q–1.

¹¹ 15 U.S.C. 78q–1(b)(3)(F).

¹² 17 CFR 240.17Ad–22(e)(4).

¹³ 17 CFR 240.17Ad–22(e)(7).

¹⁴ 15 U.S.C. 78q–1(b)(3)(F).

¹⁵ 17 CFR 240.17Ad–22(e)(4) and (e)(7).

¹⁶ See Notice, *supra* note 3.

¹⁷ 17 CFR 200.30–3(a)(31).