

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁰

Sherry R. Haywood,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-99758; File No. SR-NSCC-2024-001]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Clearing Agency Liquidity Risk Management Framework and the Clearing Agency Stress Testing Framework

March 18, 2024.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 11, 2024, 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. NSCC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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 Clearing Agency Liquidity Risk Management Framework (“LRM Framework”) and the Clearing Agency Stress Testing Framework (Market Risk) (“ST Framework”) and, together with the LRM 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”), as described below. NSCC is filing the proposed rule change for immediate effectiveness pursuant to Section 19(b)(3)(A) of the

Act⁵ and Rule 19b-4(f)(6) thereunder,⁶ as described in greater detail below.⁷

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

Background

Rules 17Ad-22(e)(4) and (7) under the Act require the Clearing Agencies to establish, implement, maintain and enforce written policies and procedures reasonably designed to manage their credit and liquidity risks.⁸ The Clearing Agencies adopted the LRM Framework to set forth the manner in which they measure, monitor and manage the liquidity risks that arise in or are borne by each of the Clearing Agencies by, for example, (1) maintaining sufficient liquid resources to effect same-day settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that include, but are not limited to, the default of the participant family that would generate the largest aggregate payment obligation for the Clearing Agency in extreme but plausible market conditions, and (2) determining the amount and regularly testing the sufficiency of qualifying liquid resources by conducting stress testing of those resources.⁹ In this way, the LRM Framework describes the liquidity risk management activities of each of the Clearing Agencies and how the Clearing Agencies meet the applicable requirements of Rule 17Ad-22(e)(7).¹⁰

⁵ 15 U.S.C. 78s(b)(3)(A).

⁶ 17 CFR 240.19b-4(f)(6).

⁷ Capitalized terms not defined herein shall have the meaning assigned to such terms in each of the Clearing Agencies’ respective Rules, available at www.dtcc.com/legal/rules-and-procedures.

⁸ See 17 CFR 240.17Ad-22(e)(4) and (7).

⁹ See Securities Exchange Act Release No. 82377 (Dec. 21, 2017), 82 FR 61617 (Dec. 28, 2017) (File Nos. SR-DTC-2017-004; SR-FICC-2017-008; SR-NSCC-2017-005).

¹⁰ 17 CFR 240.17Ad-22(e)(7).

The Clearing Agencies adopted the ST Framework to set forth the manner in which they identify, measure, monitor, and manage their respective credit exposures to participants and those arising from their respective payment, clearing, and settlement processes by, for example, maintaining sufficient prefunded financial resources to cover its credit exposures to each participant fully with a high degree of confidence and testing the sufficiency of those prefunded financial resources through stress testing.¹¹ In this way, the ST Framework describes the stress testing activities of each of the Clearing Agencies and how the Clearing Agencies meet the applicable requirements of Rule 17Ad-22(e)(4) under the Act.¹²

Proposed Changes

The Clearing Agencies propose to make clarifying and organizational changes to the LRM Framework and ST Framework designed to improve the accuracy and clarity of the documents. Specifically, the proposed changes would (i) clarify in the LRM Framework the resources currently available to FICC and NSCC to meet settlement obligations and foreseeable liquidity shortfalls; (ii) clarify in the LRM Framework the Clearing Agencies’ practices for reporting and escalating liquidity risk tolerance threshold breaches; (iii) relocate the governance and escalation requirements related to certain liquidity risk management processes from the ST Framework to the LRM Framework; and (iv) make other non-substantive clarifying, organizational, and cleanup changes to the LRM Framework. The proposed changes are described in detail below.

Proposed Clarifications to Description of FICC and NSCC Liquidity Resources

The LRM Framework describes how the Clearing Agencies would address foreseeable liquidity shortfalls that would not be covered by their existing liquid resources. In the case of FICC, the LRM Framework provides, among other things, that the FICC Government Securities Division (“GSD”) and Mortgage-Backed Securities Division (“MBSD”) would look for additional repo counterparties beyond their respective existing master repurchase agreements and that MBSD may seek Members to provide additional repo capacity beyond their Capped Contingency Liquidity Facility

¹¹ See Securities Exchange Act Release No. 82368 (Dec. 19, 2017), 82 FR 61082 (Dec. 26, 2017) (SR-DTC-2017-005; SR-FICC-2017-009; SR-NSCC-2017-006).

¹² 17 CFR 240.17Ad-22(e)(4).

²⁰ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

(“CCLF”) requirements.¹³ With respect to NSCC, the LRM Framework provides that NSCC may look to utilize, among other things, certain uncommitted repurchase arrangements (e.g., stock loans or equity repos) or other uncommitted credit facilities to address foreseeable liquidity shortfalls. The Clearing Agencies propose to revise these statements and replace them with more accurate summaries of the types of liquidity resources available to FICC and NSCC.

The Clearing Agencies would modify the LRM Framework to state that FICC may use Clearing Fund deposits to meet its settlement obligations, as permitted under GSD Rule 4 and MBSD Rule 4,¹⁴ either through direct use of cash deposits to the Clearing Funds or through the pledge or rehypothecation of pledged eligible Clearing Fund securities. The LRM Framework would also be revised to clarify that FICC could also address a liquidity shortfall by accessing a short-term financial commercial arrangement, such as uncommitted Master Repurchase Agreements maintained by FICC and which do not constitute qualifying liquid resources, or by utilizing its general corporate funds to the extent such funds exceed amounts needed to meet FICC’s regulatory capital requirements. In addition, the Clearing Agencies would further clarify that FICC could also address a liquidity shortfall by accessing its existing repo counterparties, even if such funds may not be available to meet same-day settlement obligations. The Clearing Agencies would also delete a footnote containing a cross-reference to a previously deleted footnote.

The Clearing Agencies also propose to revise the LRM Framework to remove references to certain specific uncommitted resources of NSCC, such as stock loans, equity repos, and other uncommitted credit facilities, which are no longer available to NSCC and for which NSCC no longer maintains the necessary agreements. This would be replaced with a more general clarification that all of the Clearing Agencies may seek to address unforeseen liquidity shortfalls in excess of qualifying liquid resources through uncommitted arrangements. The Clearing Agencies would also update the LRM Framework to use more accurate terminology and descriptions of NSCC’s senior note issuance program. These proposed changes are not intended to reflect actual substantive

changes to the senior note issuance program.

The Clearing Agencies believe the proposed changes would enhance the LRM Framework by more precisely describing the existing tools and resources that FICC and NSCC may utilize to address foreseeable liquidity shortfalls in compliance with Rule 17Ad-22(e)(7)(viii) under the Act.¹⁵

Proposed Clarifications to Liquidity Risk Tolerances

The LRM Framework describes the manner in which the liquidity risks of the Clearing Agencies are assessed and escalated through liquidity risk management controls that include a statement of risk tolerances that are specific to liquidity risk (“Liquidity Risk Tolerance Statement”). The Clearing Agencies propose to revise the LRM Framework to provide additional clarity and accuracy around their existing processes for reporting and escalating liquidity risk tolerances.

The Clearing Agencies would revise the LRM Framework to remove certain statements regarding the reporting of risk tolerances and instead clarify that liquidity risk tolerance thresholds are communicated to relevant personnel and the management risk committee as prescribed by the Liquidity Risk Tolerance Statement of the Clearing Agencies’ Corporate Risk Management Policy, with necessary escalation and analyses performed in accordance with a newly proposed section of the LRM Framework concerning liquidity risk governance and escalations (described in further detail below). This would include the removal of an outdated statement concerning potential responses to risk tolerance threshold reporting (e.g., responses such as risk avoidance, risk mitigation, risk acceptance), and instead focus on the required escalations set forth in the Liquidity Risk Tolerance Statements to be more consistent with the process as described in the Corporate Risk Management Policy. The Clearing Agencies would also remove specific references to the Stress Testing Team in communicating liquidity risk tolerance thresholds because this task may be performed by staff within the overall Liquidity Risk and Stress Testing function of DTCC. In addition, the LRM Framework would be revised to clarify that the liquidity risk profile prepared by the Operational Risk Management department (“ORM”) is reviewed with senior management in the Group Chief Risk Office (and not just within the Liquidity Risk Management team) and

to update the name of the risk profile used by ORM to monitor liquidity risk management. The Clearing Agencies believe the proposed changes would enhance the LRM Framework by improving the accuracy and clarity of the document as it relates to liquidity risk tolerance reporting.

Proposed Clarifications to Liquidity Risk Governance and Escalation

On November 17, 2022, the Commission approved a proposed rule change by the Clearing Agencies to amend the ST Framework and LRM Framework to, among other things, relocate certain descriptions of the Clearing Agencies’ liquidity stress testing activities from the LRM Framework to the ST Framework.¹⁶ This included certain requirements related to liquidity risk escalations, and in particular, the process for escalating liquidity shortfalls. The Clearing Agencies now propose to add a new section to the LRM Framework to relocate requirements related to liquidity risk governance and the escalation of liquidity shortfalls back into the LRM Framework because these activities and processes are primarily driven the Clearing Agencies’ Liquidity Risk Management team.

The Clearing Agencies propose to add a new Liquidity Risk Governance subsection to the LRM Framework, which would contain the same information as the Stress Test Governance section of the ST Framework but with modifications to refer to liquidity risk policies, procedures and risk tolerance statements rather than stress testing policies, procedures and risk tolerance statements. Additionally, the Clearing Agencies would relocate the Escalation of Liquidity Shortfalls section of the ST Framework to the LRM Framework with certain modifications and drafting clarifications. Specifically, the Clearing Agencies would revise and clarify the manner in which liquidity risk tolerance threshold breaches and liquidity shortfalls are identified, reported and escalated by stating that liquidity risk tolerance threshold breaches and liquidity shortfalls identified through the daily liquidity studies are reported and escalated in accordance with the Clearing Agencies’ Liquidity Risk Tolerance Statement. The Clearing Agencies would also clarify that the Liquidity Risk Management team performs the daily analysis of any calculated liquidity shortfalls. In

¹³ See FICC GSD Rule 22A, Section 2a and FICC MBSD Rule 17, Section 2a, *supra* note 7.

¹⁴ See *supra* note 7.

¹⁵ 17 CFR 240.17Ad-22(e)(7)(viii).

¹⁶ See Securities Exchange Act Release No. 96345 (Nov. 17, 2022), 87 FR 71714 (Nov. 23, 2022) (File Nos. SR-DTC-2022-006; SR-FICC-2022-004; SR-NSCC-2022-006).

addition, the Clearing Agencies would clarify that the management risk committee does not directly evaluate the adequacy of liquidity resources as a first line function but rather reviews management evaluations and recommendations related to the adequacy of such resources, which may include adjusting the CCP's liquidity risk management methodology, model parameters, and any other relevant aspect of its liquidity risk management framework, or otherwise supplementing liquid resources. The ST Framework would also be revised to state that liquidity risk tolerance and liquidity shortfall reporting and escalations are governed by the LRM Framework.

Other Clarifying, Cleanup and Organizational Changes

Finally, the Clearing Agencies propose other clarifying, cleanup and organizational changes to the LRM Framework to improve the accuracy and clarity of the document. The Clearing Agencies would relocate the definition of "qualifying liquid resources" from Section 5 of the LRM Framework to the Glossary of Key Terms in Section 2, with minor modifications to associated footnotes and citations, so that this term is clearly defined before its first usage within the LRM Framework. The Clearing Agencies would also update the Glossary of Key Terms to refer to the DTCC Treasury "department" rather than DTCC Treasury "group" to align with other references to the DTCC Treasury department throughout the LRM Framework and remove the defined term "Stress Testing Team" because specific responsibilities of this team would no longer be described in LRM Framework as they are covered in the ST Framework.

In addition, Clearing Agencies would make several cleanup changes in the Liquidity Risk Measurement section of the LRM Framework to remove an outdated reference to previously removed sections of the LRM Framework, refer to the new Liquidity Risk Governance and Escalation Procedures section of the LRM Framework, and remove a specific reference to the Stress Test Team (the responsibilities of which are addressed in the ST Framework).

Finally, the Clearing Agencies would make a minor clarification in the LRM Framework regarding the annual testing of certain uncommitted liquidity providers, which are non-qualifying liquid resources of FICC.

2. Statutory Basis

The Clearing Agencies believe 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. In particular, the Clearing Agencies believe that the proposed changes are consistent with Section 17A(b)(3)(F) of the Act¹⁷ and Rule 17Ad-22(e)(7) under the Act¹⁸ for the reasons set forth below.

Section 17A(b)(3)(F) of the Act¹⁹ 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. The proposed changes would improve the accuracy and clarity of the Frameworks, and specifically the LRM Framework, by (i) clarifying in the LRM Framework the resources currently available to FICC and NSCC to meet settlement obligations and liquidity shortfalls; (ii) clarifying in the LRM Framework the Clearing Agencies' practices for reporting and escalating liquidity risk tolerance thresholds; (iii) relocating the governance and escalation requirements related to certain liquidity risk management processes from the ST Framework to the LRM Framework; and (iv) making other non-substantive clarifying, organizational and cleanup changes to the LRM Framework. The LRM Framework and the policies and procedures that support the LRM Framework help assure that each Clearing Agency can effectively measure, monitor, and manage their liquidity risks to promote the timely settlement of securities transactions. The proposed changes would enhance the LRM Framework by improving the accuracy and clarity of the descriptions of key aspects of the Clearing Agencies' liquidity risk management processes, thereby facilitating the Clearing Agencies' ability to continue the prompt and accurate clearance and settlement of securities transactions as required by Section 17A(b)(3)(F) of the Act.

Rule 17Ad-22(e)(7) under the Act requires that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed 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.²⁰ As discussed above, the LRM Framework and the policies and procedures that support the LRM Framework help

assure that each Clearing Agency can effectively measure, monitor, and manage their liquidity risks. The Clearing Agencies believe that by improving the accuracy and clarity of the descriptions of key aspects of the Clearing Agencies' liquidity risk management processes, the proposed changes would facilitate the maintenance of written policies and procedures reasonably designed to effectively measure, monitor, and manage liquidity risks as required by Rule 17Ad-22(e)(7) under the Act.

In addition, Rule 17Ad-22(e)(7)(viii) under the Act specifically requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to address foreseeable liquidity shortfalls that would not be covered by the covered clearing agency's liquid resources and seek to avoid unwinding, revoking, or delaying the same-day settlement of payment obligations.²¹ The Clearing Agencies believe that including additional clarity and specificity in the LRM Framework concerning the types of liquidity resources available to FICC and NSCC to address foreseeable liquidity shortfalls would further promote compliance with Rule 17Ad-22(e)(7)(viii) under the Act.

For these reasons, the Clearing Agencies believe the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act²² and Rule 17Ad-22(e)(7) thereunder.²³

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

The proposed changes would enhance the Frameworks, and specifically the LRM Framework, by providing additional clarity and accuracy concerning the Clearing Agencies' existing liquidity risk management processes. The Frameworks, and the proposed rule changes described herein, would not advantage or disadvantage any particular participant or user of the Clearing Agencies' services or unfairly inhibit access to the Clearing Agencies' services. The Clearing Agencies therefore do not believe that the proposed rule change would have any impact, or impose any burden, on competition.

¹⁷ 15 U.S.C. 78q-1(b)(3)(F).

¹⁸ 17 CFR 240.17Ad-22(e)(7).

¹⁹ 15 U.S.C. 78q-1(b)(3)(F).

²⁰ See 17 CFR 240.17Ad-22(e)(7).

²¹ See 17 CFR 240.17Ad-22(e)(7)(viii).

²² 15 U.S.C. 78q-1(b)(3)(F).

²³ 17 CFR 240.17Ad-22(e)(7).

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

The Clearing Agencies have 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.

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. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the SEC's Division of Trading and Markets at tradingandmarkets@sec.gov or 202-551-5777.

The Clearing Agencies reserve the right to not respond to any comments received.

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

Because the foregoing proposed rule change does not:

- (i) significantly affect the protection of investors or the public interest;
- (ii) impose any significant burden on competition; and
- (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act²⁴ and Rule 19b-4(f)(6) thereunder.²⁵

At any time 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.

²⁴ 15 U.S.C. 78s(b)(3)(A).

²⁵ 17 CFR 240.19b-4(f)(6).

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 email to rule-comments@sec.gov. Please include File Number SR-NSCC-2024-001 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-2024-001. 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 (<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://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-2024-001 and should be submitted on or before April 12, 2024.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁶

Sherry R. Haywood,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-99760; File No. SR-NYSEARCA-2024-25]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 7.31-E

March 18, 2024.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 ("Act")² and Rule 19b-4 thereunder,³ notice is hereby given that on March 14, 2024, NYSE Arca, Inc. ("NYSE Arca" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 7.31-E to provide for the use of Day ISO Reserve Orders and make other conforming changes. The proposed rule change is available on the Exchange's website at www.nyse.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization 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 those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

²⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.