SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–91720; File No. SR–NSCC–2021–802]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of and No Objection to Advance Notice Regarding the Renewal of a 364-Day Committed Revolving Line-of-Credit and Future Annual Renewals

April 29, 2021.

Pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act entitled the Payment, Clearing, and Settlement Supervision Act of 2010 (''Clearing Supervision Act'') [1] and Rule 19b–4(n)(1)(i) under the Securities Exchange Act of 1934 (''Act''),[2] notice is hereby given that on April 8, 2021, National Securities Clearing Corporation (''NSCC'') filed with the Securities and Exchange Commission (''Commission'') the advance notice SR–NSCC–2021–802. The advance notice (hereinafter, the ''Advance Notice'') is described in Items I, II and III below, which Items have been prepared by the clearing agency. The Commission is publishing this notice to solicit comments on the Advance Notice from interested persons and providing notice that the Commission does not object to the Advance Notice.

I. Clearing Agency's Statement of the Terms of Substance of the Advance Notice

NSCC is filing this advance notice in order to (1) renew its 364-day committed revolving line-of-credit with a syndicate of commercial lenders (''Credit Facility''), as described below (hereinafter, ''Current Renewal''), and (2) enter into future annual renewals of the Credit Facility on substantially similar terms and conditions as the Current Renewal without needing to file an advance notice, also described below (hereinafter, ''Future Renewals'').[3]

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Advance Notice

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the Advance Notice and discussed any comments it received on the Advance Notice. 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 and B below, of the most significant aspects of such statements.

(A) Clearing Agency's Statement on Comments on the Advance Notice Received From Members, Participants, or Others

NSCC has not solicited or received any written comments to this advance notice. NSCC will notify the Commission of any written comments are received by NSCC.

(B) Advance Notice Filed Pursuant to Section 806(e) of the Clearing Supervision Act

Description of the Proposal

NSCC is filing this advance notice in order to enter into (1) the Current Renewal and (2) Future Renewals, as described below.

Background. NSCC and DTC maintain the Credit Facility as part of their liquidity risk management regime. The Credit Facility provides for both NSCC and DTC as borrowers, with an aggregate commitment of $1.9 billion for DTC and the amount of any excess aggregate commitment for NSCC. As borrowers, NSCC and DTC are not jointly and severally liable, and each lender to the Credit Facility has a ratable commitment to each borrower. NSCC and DTC have separate collateral to secure their separate borrowings.

The Credit Facility is renewed annually, and from 2013 through 2017, NSCC and DTC each filed an advance notice each year with the Commission, pursuant to Section 806(e)(1) of the Clearing Supervision Act [4] and Rule 19b–4(n)(1)(i) under the Exchange Act [5] as part of that renewal process.[6]

In 2017, NSCC and DTC proposed and the Commission did not object to allowing NSCC and DTC to renew the Credit Facility, subject to specific conditions (''Evergreen Provisions''), without filing advance notices with the Commission.[7] The Commission found that because the Evergreen Provisions would ensure that future annual renewals of the Credit Facility would be on substantially similar terms and conditions as the 2017 Credit Facility, to which the Commission did not object, associated advance notice filings would not be necessary.[8] However, in the event that an annual renewal of the Credit Facility would not satisfy the Evergreen Provisions, such renewal would be subject to an advance notice filing.

Some of the Evergreen Provisions are specific to NSCC, some to DTC, and some to both.[9] One of the NSCC specific Evergreen Provisions is that NSCC would not seek or accept for its portion of the Credit Facility an aggregate commitment amount 15 percent below the amount NSCC sought in 2017.[10] In 2017, NSCC sought an aggregate commitment amount of $12.1 billion for its portion of the Credit Facility, which established a 15 percent threshold amount of no less than $10.285 billion.[11] Because NSCC now seeks an aggregate commitment amount of no more than $10.1 billion for its portion of the Credit Facility, which is below that 15 percent threshold, it is filing this advance notice with the Commission.[12] DTC need not file an advance notice for its renewal of the Credit Facility because DTC would continue to comply with the Evergreen Provisions applicable to it.[13] The only Evergreen Provision to which the Current Renewal would not satisfy is the 15 percent minimum threshold amount applicable to NSCC.

Current Renewal. The terms and conditions of the Current Renewal would be specified in the Revolving Credit Agreement, to be dated as of May 4, 2021, among DTC, NSCC, the lenders party thereto, the primary administrative and collateral agent, and the backup administrative and collateral agent (''Renewal Agreement''). Such terms and conditions would be substantially the same as the terms and conditions of the existing credit agreement, dated as of May 5, 2020 (''Existing Agreement''), except that

[1] 12 U.S.C. 5465(e)(1).

[2] 17 CFR 240.19b–4(n)(1)(i).

[3] Terms not defined herein are defined in the Rules and Procedures of NSCC (''Rules''), *http://www.dtcc.com/~/media/Files/Downloads/legal/rules/nscc_rules.pdf.*

[4] 12 U.S.C. 5465(e)(1).

[5] 17 CFR 240.19b–4(n)(1)(i).

[6] Securities Exchange Act Release Nos. 69557 (May 10, 2013), 78 FR 28936 (May 16, 2013) (SR–NSCC–2013–803); 72131 (May 8, 2014), 79 FR 27654 (May 14, 2014) (SR–NSCC–2014–805); 74906 (May 7, 2015), 80 FR 27714 (May 14, 2015) (SR–NSCC–2015–801); 77750 (April 29, 2016), 81 FR 27181 (May 5, 2016) (SR–NSCC–2016–801); 80605 (May 5, 2017), 82 FR 21850 (May 10, 2017) (SR–NSCC–2017–802).

[7] Securities Exchange Act Release No. 80605 (May 5, 2017), 82 FR 21850 (May 10, 2017) (SR–NSCC–2017–802) (''2017 Filing'').

[8] *Id.*

[9] *See id.*

[10] *Id.*

[11] *Id.*

[12] NSCC is seeking a reduced commitment amount for a variety of reasons, including but not limited to NSCC's ability to obtain additional liquidity from the issuance of commercial paper and extendable notes (*see* Securities Exchange Act Release Nos. 75730 (August 19, 2015), 80 FR 51638 (August 25, 2015) (SR–NSCC–2015–802); 82676 (February 9, 2018), 83 FR 6912 (February 15, 2018) (SR–NSCC–2017–807)), as well as certain term debt (*see* Securities Exchange Act Release No. 88146 (February 7, 2020), 85 FR 8046 (February 12, 2020) (SR–NSCC–2019–802)) (''Liquidity Filings'').

[13] *See* 2017 Filing, *supra* note 7.

pricing [14] and the aggregate commitment amount for NSCC, as discussed above, is expected to change. The substantive terms of the Renewal Agreement are set forth in the Summary of Indicative Principal Terms and Conditions, dated March 22, 2021 (''Term Sheet''), which is not a public document but has been included as a confidential Exhibit 3 to this filing.

For the Current Renewal, NSCC and DTC are seeking an aggregate commitment amount of no more than $12 billion for the entire Credit Facility, of which $1.9 billion would be committed to DTC as borrower and any remainder to NSCC as borrower, as provided in the Existing Agreement. Although NSCC and DTC are seeking an aggregate commitment amount of no more than $12 billion, the actual, final amount will depend on a number of factors, including the total commitment amount received from lenders (*i.e.,* it is possible that the total aggregate commitments received is less than the $12 billion sought); projected market volatility over the Credit Facility's 364-day period (''Facility Period''); potential business initiatives over the Facility Period; projected availability of NSCC's other liquidity resources (*i.e.,* liquidity available via NSCC's commercial paper, extendable notes, term debt,[15] Clearing Fund, and Supplemental Liquidity Deposit (''SLD'') requirement [16]) over the Facility Period; and NSCC and DTC's long-term liquidity strategy.

NSCC and DTC would continue not to be jointly and severally liable and each lender would have a ratable commitment to each borrower. DTC and NSCC would continue to provide separate collateral to secure their respective borrowings.

Future Renewals. NSCC expects to continue to renew the Credit Facility annually on substantially similar terms and conditions as the Current Renewal. The terms and conditions of all Future Renewals would be specified in subsequent credit agreements among DTC, NSCC, the lenders party thereto, and the agents.

As has been standard practice for the Credit Facility renewals, in connection with all Future Renewals, changes would not be made to (a) the financial institution acting as the primary administrative agent; or (b) the commitment period, which would continue to be 364 days.

However, as was established with the 2017 Filing,[17] in connection with all Future Renewals, changes may be made to (1) the aggregate commitment amount being sought for NSCC, so long as such amount does not vary more than 15 percent above or below the aggregate commitment amount being sought by NSCC under the Current Renewal (*i.e.,* $10.1 billion), which equates to an amount of no more than $11.615 billion and no less than $8.585 billion; [18] (2) the syndicate, so long as all lenders party to Future Renewals are subject to the same credit review as those lenders party to the Current Renewal; [19] (3) pricing and collateral haircuts,[20] so long as such terms are consistent with the then current market practice; or (4) representations, warranties, covenants, terms of events of default,[21] and other agreement provisions, so long as any changes are immaterial to NSCC as a borrower and do not impair NSCC's ability to borrow under the Credit Facility. NSCC would not consider such changes as materially altering the terms and conditions of the Credit Facility.

So long as NSCC does not make changes to the terms described in items (a) and (b) above in any Future Renewal, and so long as any Future Renewal adheres to the conditions described in items (1) through (4) above (together with items (a) and (b) above, ''Proposed Evergreen Provisions''), NSCC would consider such Future Renewal as being on substantially the same terms and conditions as the Current Renewal, such that NSCC proposes that it would not need to file an advance notice pursuant to Section 806(e)(1) of the Clearing Supervision Act [22] and Rule 19b–4(n)(1)(i) under the Exchange Act.[23] Except for the specific dollar amounts described above, the Proposed Evergreen Provisions are the same as the Evergreen Provisions applicable to NSCC in the 2017 Filing.[24]

In the event that NSCC would have a Future Renewal that would not satisfy the Proposed Evergreen Provisions and, thus, would not be on terms and conditions that are substantially similar to the Current Renewal, such renewal would be subject to an advance notice filing by NSCC.

Expected Effect on Risks to the Clearing Agency, Its Participants and the Market

The Renewal Agreement and its substantially similar predecessor agreements have been in place since the introduction of same day funds settlement at NSCC. The Current Renewal and Future Renewals subject to the Proposed Evergreen Provisions (''Evergreen Renewals'') would continue to promote the reduction of liquidity risk to NSCC, its Members, and the securities market in general because they would help NSCC maintain sufficient liquidity resources to timely meet its settlement obligations with a high degree of confidence.

Management of Identified Risks

NSCC requires same day liquidity resources to cover the failure-to-settle of its Member, or affiliated family of Members, with the largest aggregate liquidity exposure. If a Member defaults on its end-of-day net settlement obligation, NSCC may borrow under the Credit Facility to enable it, if necessary, to fund settlement among non-defaulting Members, including

[14] ''Pricing'' of the Credit Facility refers to the charges and fees owed by the borrowers (*i.e.,* NSCC and DTC) to the agents and lenders thereto with respect to the services performed by the agents, the commitment to lend, and the rate of interest applicable to any borrowing under the Credit Facility, among other such matters.

[15] *See* Liquidity Filings, *supra* note 12.

[16] Rule 4A (sic), Rules, *supra* note 3.

[17] *Supra* note 7.

[18] NSCC continues to believe that a difference of no more than 15 percent, either above or below the aggregate commitment amount being sought by NSCC under the Current Renewal, would not constitute a material change in the nature or level of risk presented by NSCC requiring an advance notice filing (*see supra* notes 1 and 2) because (i) the standing requirement that NSCC maintain, in short, sufficient liquidity to cover the default of the member family that would generate the largest aggregate payment obligation, in extreme but plausible market conditions (*see* Rule 17Ad–22(e)(7)(i) under the Exchange Act, discussed below); (ii) availability of liquidity via NSCC's other liquidity resources (*see* Liquidity Filings, *supra* note 12 and *see* Rule 4A (sic), Rules, *supra* note 3); and (iii) the average size of the commitments for NSCC in past Credit Facilities, which have ranged from a low of $6.18 billion in 2011, to a high of $13.47 billion in 2014, both of which predated NSCC's commercial paper and term-debt offerings (*see* Liquidity Filings, *supra* note 12), as well as the long-term establishment of NSCC's SLD requirement (Rule 4A (sic), Rules, *supra* note 3), which currently covers monthly options expiry periods but has been proposed to cover all business days (*see* Securities Exchange Act Release No. 91347 (March 18, 2021), 86 FR 15750 (March 24, 2021) (SR–NSCC–2021–801)). More recently, NSCC's Credit Facility commitment amounts have been $12.05 (2018), $12.05 (2019), and $10.90 billion (2020).

[19] Potential lenders to the Credit Facility are analyzed to determine whether the potential lender has an acceptable credit risk profile. Criteria assessed can include long-term credit ratings, credit default swap spreads, sovereign ratings (*i.e.,* the rating of the country of the ultimate parent), as applicable, and any other factors that may suggest a stronger or weaker credit risk profile, as necessary.

[20] ''Collateral haircuts'' with respect to the collateral for any borrowing under the Credit Facility refers to the schedule of percentages of market value, by type of collateral, determining the collateral value of that type of collateral, for purposes of securing a borrowing under the Credit Facility.

[21] ''Events of default'' under the Credit Facility refers to those events or conditions which trigger or constitute a default of the borrowers under the agreement (*e.g.,* a breach of terms or conditions or a failure to perform an obligation).

[22] 12 U.S.C. 5465(e)(1).

[23] 17 CFR 240.19b–4(n)(1)(i).

[24] *See* 2017 Filing, *supra* note 7.

settlement of guaranteed trades due to settle. Any borrowing would be secured principally by (i) securities deposited by Members in NSCC's Clearing Fund [25] (*i.e.,* the Eligible Clearing Fund Securities, as defined in the Rules, pledged by Members to NSCC in lieu of cash Clearing Fund deposits) and (ii) securities cleared through NSCC's Continuous Net Settlement System that were intended for delivery to the defaulting Member upon payment of its net settlement obligation.

In addition to the Credit Facility and the Clearing Fund, NSCC has diversified its liquidity resources through the issuance of commercial paper and extendable notes, as well as certain term debt, as noted above.[26] Each of these liquidity resources are an integral part of NSCC's risk management structure, as they help provide NSCC with liquidity to complete end-of-day net funds settlement.

Because the Renewal Agreement would preserve substantially similar terms and conditions to the Existing Agreement, and Evergreen Renewals would preserve substantially similar terms and conditions to the Renewal Agreement, NSCC believes that the Current Renewal and Evergreen Renewals would not otherwise affect or alter the management of risk at NSCC.

Consistency With the Clearing Supervision Act

The objectives and principles of Section 805(b) of the Clearing Supervision Act are to promote of robust risk management, promote safety and soundness, reduce systemic risks, and support the stability of the broader financial system.[27] As discussed below, NSCC believes that the changes proposed in this advance notice are consistent with those objectives and principles.

Promoting Robust Risk Management. NSCC believes that the changes proposed in this advance notice are consistent with promoting robust risk management, particularly management of liquidity risk presented to NSCC. Renewing and maintaining the Credit Facility in the manner proposed would preserve the diversity of liquidity resources available to NSCC to help resolve a Member default. Additionally, allowing Evergreen Renewals without an additional advance notice would provide NSCC, its Members, and market participants with greater certainty regarding a key source of committed liquidity to meet NSCC's settlement obligations, thus mitigating NSCC's liquidity risk. Further, because the Proposed Evergreen Provisions would ensure that any Future Renewal would be substantially similar to the Current Renewal, NSCC believes that any such renewals would promote robust risk management by preserving the diversity in liquidity resources available to NSCC to help resolve a Member default in the same manner as the Current Renewal. As such, NSCC believes the proposed changes would promote robust risk management practices at NSCC, consistent with Section 805(b) of the Clearing Supervision Act.

Promoting Safety and Soundness. NSCC believes that the changes proposed in this advance notice are consistent with promoting safety and soundness. As described above, the Current Renewal would enable NSCC to maintain an additional liquidity resource in the event of a Member default. That resource promotes safety and soundness for Members and market participants because it would provide NSCC with readily available liquidity to help NSCC continue to meet its respective obligations in a timely fashion in the event of a Member default, thereby helping to contain losses and liquidity pressures from that default. Because the Proposed Evergreen Provisions would ensure that any Future Renewals would be substantially similar to the Current Renewal, even without NSCC filing an advance notice, such renewals also would promote safety and soundness for the same reasons. As such, NSCC believes the proposed changes would promote safety and soundness, consistent with Section 805(b) of the Clearing Supervision Act.

Reducing Systemic Risks and Supporting the Stability of the Broader Financial System. NSCC also believes that the proposed changes in this advance notice are consistent with reducing systemic risks and supporting the stability of the broader financial system. As mentioned above, allowing NSCC to enter the Current Renewal would enable NSCC, which has been designated a systemically important financial market utility,[28] to continue to maintain an additional liquidity resource that NSCC may access to help manage a Member default. In addition, because the Proposed Evergreen Provisions would ensure that any Future Renewals entered into without filing an advance notice would be on substantially similar terms as the Current Renewal, such renewals also would enable NSCC to continue to maintain an additional liquidity to help manage a Member default. Moreover, allowing Evergreen Renewals would reduce the risk of gaps in availability of this liquidity resource, providing increased certainty and stability for NSCC, its Members, and market participants regarding the availability of this liquidity risk management resource on an ongoing basis. Accordingly, NSCC believes that the proposed changes would help reduce systemic risk at NSCC, which in turn helps support the stability of the broader financial system, consistent with Section 805(b) of the Clearing Supervision Act.

NSCC also believes that the changes proposed in this advance notice are consistent with the requirements of Rule 17Ad–22(e)(7)(i) and (ii) under the Exchange Act.[29]

Rule 17Ad–22(e)(7)(i) requires a covered clearing agency, of which NSCC is one,[30] to ''establish, implement, maintain and enforce written policies and procedures reasonably designed to . . . [e]ffectively measure, monitor, and manage 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 by, at a minimum . . . [m]aintaining sufficient liquid resources at the minimum in all relevant currencies to effect same-day . . . settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment of obligation for the covered clearing agency in extreme but plausible conditions.'' [31]

As described above, the Current Renewal would continue to provide NSCC with a readily available liquidity resource, enabling NSCC to continue to meet its respective obligations in a timely fashion in the event of a Member default, thereby helping to contain losses and liquidity pressures from that default. Additionally, because the Proposed Evergreen Provisions would

[25] NSCC's Clearing Fund (which operates as its default fund) addresses potential exposure through a number of risk-based component charges calculated and assessed daily and includes additional liquidity deposits by certain Members pursuant to NSCC's Supplemental Liquidity Deposits rule. Rule 4(A), Rules, *supra* note 3.

[26] *See* Liquidity Filings, *supra* note 12.

[27] 12 U.S.C. 5464(b).

[28] The Financial Stability Oversight Council designated NSCC a systemically important financial market utility on July 18, 2012. *See* Financial Stability Oversight Council 2012 Annual Report, Appendix A, *http://www.treasury.gov/initiatives/fsoc/Documents/2012%20Annual%20Report.pdf.*

[29] 17 CFR 240.17Ad–22(e)(7)(i) and (ii).

[30] NSCC is a ''covered clearing agency'' as defined by Rule 17Ad–22(a)(5) under the Exchange Act. 17 CFR 240.17Ad–22(a)(5).

[31] 17 CFR 240.17Ad–22(e)(7)(i).

ensure that any Future Renewals would be substantially similar to the Current Renewal, such renewals also would provide NSCC with a readily available liquidity resource that would enable it to continue to meet its respective obligations in a timely fashion in the event of a Member default, thereby helping to contain losses and liquidity pressures from that default. Moreover, allowing NSCC to enter into Evergreen Renewals without filing an additional advance notice would reduce the risk of gaps in liquidity coverage and better enable NSCC to continually maintain sufficient liquidity resources. Therefore, the NSCC believes that the proposed changes in this advance notice are consistent with Rule 17Ad–22(e)(7)(i).

Rule 17Ad–22(e)(7)(ii) under the Exchange Act requires NSCC to ''establish, implement, maintain and enforce written policies and procedures reasonably designed to . . . [e]ffectively measure, monitor, and manage 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 by, at a minimum . . . [h]olding qualifying liquid resources sufficient to meet the minimum liquidity resource requirement under [Rule 17Ad–22(e)(7)(i) described above] in each relevant currency for which the covered clearing agency has payment obligations owed to clearing members.'' [32] Rule 17Ad–22(a)(14) under the Exchange Act defines ''qualifying liquid resources'' to include, among other things, lines of credit without material adverse change provisions, that are readily available and convertible into cash.[33]

As described above, the Current Renewal would permit NSCC to enter into a committed line of credit that is designed to help ensure that NSCC has sufficient, readily-available qualifying liquid resources to meet the cash settlement obligations of its largest family of affiliated Members. Similarly, because the Proposed Evergreen Provisions would ensure that any Future Renewals would be substantially similar to the Current Renewal, such renewals also would permit NSCC to enter into a committed line of credit that is designed to help ensure that NSCC has sufficient, readily-available qualifying liquid resources to meet the cash settlement obligations of its largest family of affiliated Members. Accordingly, NSCC believes that the changes proposed in this advance notice are consistent with Rule 17Ad–22(e)(7)(ii).

Accelerated Commission Action Requested

Because the Term Sheet was not finalized until approximately six weeks prior to the expected effective date of the Current Renewal (which is standard practice), NSCC respectfully requests, as it has done previously,[34] that the Commission, pursuant to Section 806(e)(1)(I) of the Clearing Supervision Act,[35] notify NSCC that it has no objection to the proposed changes in this advance notice no later than April 26, 2021, which is five business days prior to the May 4, 2021 effective date of the Current Renewal. NSCC requests Commission action five business days in advance of the effective date in order to ensure that there is no period of time that NSCC operates without this essential liquidity resource, given its importance to NSCC risk management and protecting NSCC settlement.

III. Date of Effectiveness of the Advance Notice, and Timing for Commission Action

The proposed change may be implemented if the Commission does not object to the proposed change within 60 days of the later of (i) the date that the proposed change was filed with the Commission or (ii) the date that any additional information requested by the Commission is received. The clearing agency shall not implement the proposed change if the Commission has any objection to the proposed change.

The Commission may extend the period for review by an additional 60 days if the proposed change raises novel or complex issues, subject to the Commission providing the clearing agency with prompt written notice of the extension. A proposed change may be implemented in less than 60 days from the date the advance notice is filed, or the date further information requested by the Commission is received, if the Commission notifies the clearing agency in writing that it does not object to the proposed change and authorizes the clearing agency to implement the proposed change on an earlier date, subject to any conditions imposed by the Commission.

The clearing agency shall post notice on its website of proposed changes that are implemented.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the Advance Notice is consistent with the Clearing Supervision 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 email to *rule-comments@sec.gov.* Please include File Number SR–NSCC–2021–802 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–2021–802. 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 Advance Notice that are filed with the Commission, and all written communications relating to the Advance Notice 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–2021–802 and should be submitted on or before May 26, 2021.

V. Commission Findings and Notice of No Objection

Although the Clearing Supervision Act does not specify a standard of review for an advance notice, its stated purpose is instructive: to mitigate systemic risk in the financial system

[32] 17 CFR 240.17Ad–22(e)(7)(ii).

[33] 17 CFR 240.17Ad–22(a)(14).

[34] *See supra* note 6.

[35] 12 U.S.C. 5465(e)(1)(I).

and promote financial stability by, among other things, promoting uniform risk management standards for systemically important financial market utilities and strengthening the liquidity of systemically important financial market utilities.[36] Section 805(a)(2) of the Clearing Supervision Act [37] authorizes the Commission to prescribe risk management standards for the payment, clearing, and settlement activities of designated clearing entities and financial institutions engaged in designated activities for which it is the supervisory agency or the appropriate financial regulator. Section 805(b) of the Clearing Supervision Act [38] states that the objectives and principles for the risk management standards prescribed under Section 805(a) shall be to:

- Promote robust risk management;
- promote safety and soundness;
- reduce systemic risks; and
- support the stability of the broader financial system.[39]

The Commission has adopted risk management standards under Section 805(a)(2) of the Act [40] and Section 17A of the Act (''Rule 17Ad–22'').[41] The Rule 17Ad–22 requires registered clearing agencies to establish, implement, maintain, and enforce written policies and procedures that are reasonably designed to meet certain minimum requirements for their operations and risk management practices on an ongoing basis.[42] Therefore, it is appropriate for the Commission to review changes proposed in advance notices against Rule 17Ad–22 and the objectives and principles of these risk management standards as described in Section 805(b) of the Clearing Supervision Act.[43] The Commission believes the proposal in the Advance Notice is consistent with the objectives and principles described in Section 805(b) of the Act,[44] and in Rule17Ad–22, in particular, Rule 17Ad–22(e)(7) under the Act.[45]

A. Consistency With Section 805(b) of the Clearing Supervision Act

As discussed below, the Commission believes that the changes proposed in the Advance Notice are consistent with Section 805(b) of the Act because they (i) promote robust risk management; (ii) are consistent with promoting safety and soundness; and (iii) are consistent with reducing systemic risks and promoting the stability of the broader financial system.

The Commission believes that the changes proposed in the Advance Notice are consistent with promoting robust risk management, in particular management of liquidity risk presented by NSCC. Renewing the Credit Facility would allow NSCC to continue to maintain it as a liquidity resource that it may use to resolve a member default. NSCC proposes to renew the Credit Facility at a $10.1 billion aggregate commitment, which is an amount less than the $12.1 billion aggregate commitment amount authorized in 2017, and outside the range that the Commission approved in the 2017 Notice of No Objection. However, NSCC has diversified and expanded its liquidity resources since 2017. Specifically, NSCC has expanded the amount that is available through its commercial paper program to $10 billion, and it has obtained authorization to issue certain term debt.[46] Therefore, the proceeds of these issuances are available to NSCC as an additional, and increased, amount of default liquidity resources that were not available in 2017.[47] In addition, NSCC continues to have access to its Clearing Fund, including any supplemental liquidity deposits thereto, as an additional liquidity resource.[48] Therefore, the Commission believes that the current renewal of the Credit Facility would be consistent with robust risk management by allowing NSCC to continue to manage the liquidity risk presented to it.[49]

Moreover, allowing NSCC annually to renew the Credit Facility under certain specified circumstances without an additional advance notice, subject to the proposed Evergreen Provisions, would provide NSCC and market participants with greater certainty regarding a continuing source of committed liquidity to meet its settlement obligations and thus mitigate NSCC' liquidity risk. Further, because the proposed Evergreen Provisions would continue to ensure that any such annual renewals would be substantially similar to the currently proposed Credit Facility, the Commission believes that any such renewals would promote robust risk management by continuing to available liquidity resources that NSCC may use to resolve a member default in the same manner as the currently proposed Credit Facility. As such, the Commission believes that the proposal would promote robust risk management practices at NSCC, consistent with Section 805(b) of the Act.[50]

The Commission also believes that the changes proposed in the Advance Notice are consistent with promoting safety and soundness. As described above, the currently proposed Credit Facility would continue to provide NSCC with a key liquidity resource in the event of a member default. This liquidity would promote safety and soundness for members because it would provide NSCC with a readily available liquidity resource that would enable it to continue to meet its respective obligations in a timely fashion in the event of a member default, thereby helping to contain losses and liquidity pressures from that default. Because the Proposed Evergreen Provisions would ensure that any annual renewals implemented without filing an advance notice would be substantially similar to the currently proposed Credit Facility, any such annual renewals would promote safety and soundness for the same reasons. As such, the Commission believes it is consistent with promoting safety and soundness as contemplated in Section 805(b) of the Act.[51]

In addition, the Commission believes that the changes proposed in the Advance Notice are consistent with reducing systemic risks and promoting the stability of the broader financial system. As mentioned above, allowing NSCC to enter into the currently

[36] 12 U.S.C. 5461(b).

[37] 12 U.S.C. 5464(a)(2).

[38] 12 U.S.C. 5464(b).

[39] *Id.*

[40] 12 U.S.C. 5464(a)(2).

[41] *See* 17 CFR 240.17Ad–22.

[42] *Id.*

[43] 12 U.S.C. 5464(b).

[44] *Id.*

[45] 17 CFR 240.17Ad–22(e)(7).

[46] *See* Liquidity Filings, *supra* note 12.

[47] As a result of these additional and increased liquidity resources, the Credit Facility has generally represented a smaller portion of NSCC's total liquid resources since 2017, while still continuing to help ensure that NSCC meets its regulatory liquidity risk management obligations, as discussed in Section III.B.2 below.

[48] NSCC has the ability to collect supplemental liquidity deposits from certain of its members whose activity presents particular liquidity needs for NSCC. *See generally* Rule 4(A) of NSCC's Rules, *supra* note 3 (as approved by the Commission in 2013, *https://www.sec.gov/rules/sro/nscc/2013/34-70999.pdf*). These deposits serve as another liquidity resource that NSCC may use in the event of a member default. Currently, NSCC's rules allow for the collection of such deposits only in connection with monthly options expiry periods.

[49] NSCC seeks the authority to renew the Credit Facility at an aggregate commitment amount of no more than $10.1 billion, meaning that NSCC potentially could renew the Credit Facility at some amount less than $10.1 billion consistent with the proposed authority, in light of market conditions at the time of the renewal and NSCC's assessment of its liquidity needs. Regardless of the amount of the Credit Facility into which NSCC ultimately enters, NSCC remains subject to the same regulatory requirements with respect to its liquidity risk, as discussed in Section V.B. below, and would have to meet those requirements using some other combination of available resources.

[50] 12 U.S.C. 5464(b).

[51] *Id.*

proposed Credit Facility would enable NSCC, which has been designated a systemically important financial market utility,[52] to continue to maintain an additional liquidity resource that NSCC may access to help manage a member default. In addition, because the proposed Evergreen Provisions would ensure that any annual renewals entered into without filing an advance notice would be on substantially similar terms to the currently proposed Credit Facility, such future renewals also would enable NSCC to maintain an additional liquidity resource that NSCC may access to help manage a member default. Moreover, allowing the annual renewal of the Credit Facility under the proposed Evergreen Provisions without filing an additional advance notice would reduce the risk of disruption in availability of this liquidity resource. Further, allowing renewal without an advance notice in these specific circumstances would also provide heightened certainty and stability for NSCC and market participants regarding the availability of this liquidity resource on an ongoing basis. Accordingly, the Commission believes that the proposal would help reduce the systemic risk of NSCC, which in turn would help support the stability of the broader financial system, consistent with Section 805(b) of the Act.[53]

B. Consistency With Rule 17Ad–22(e)(7)(i) and (ii)

The Commission believes the changes proposed in the Advance Notice are consistent with Rules 17Ad–22(e)(7)(i) and (ii), each promulgated under the Exchange Act,[54] for the reasons described below.

Rule 17Ad–22(e)(7)(i) under the Exchange Act requires that a covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to maintain sufficient liquid resources at the minimum in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment obligation for the covered clearing agency in extreme but plausible market conditions.[55] Rule 17Ad–22(e)(7)(ii) under the Act requires that a cover clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to hold qualifying liquid resources sufficient to meet the minimum liquidity resource requirement under Rule 17Ad–22(e)(7)(i) in each relevant currency for which the covered clearing agency has payment obligations owed to its clearing members.[56]

As described above, the currently proposed Credit Facility renewal would provide NSCC with a readily available liquidity resource that would enable NSCC to continue to meet its obligations in a timely fashion in the event of a member default, thereby helping to contain losses and liquidity pressures from that default. Additionally, because the proposed Evergreen Provisions would ensure that any annual renewals would be substantially similar to the currently proposed Credit Facility, such future renewals would also continue to provide NSCC with a readily available liquidity resource that would enable it to continue to meet its respective obligations in a timely fashion in the event of a member default, thereby helping to contain losses and liquidity pressures from that default. Moreover, allowing NSCC annually to renew the Credit Facility pursuant to the proposed Evergreen Provisions without filing an additional advance notice would reduce the risk of gaps in liquidity coverage and better allow NSCC to continually maintain sufficient liquidity resources.

In addition, the currently proposed renewal of the Credit Facility would permit NSCC to maintain a single Credit Facility designed to help ensure that NSCC has sufficient, readily-available qualifying liquid resources to meet the cash settlement obligations of its largest family of affiliated members. Similarly, because the proposed Evergreen Provisions would ensure that any annual renewals would be substantially similar to the currently proposed renewal of the Credit Facility, such renewals also would permit NSCC to maintain a single Credit Facility designed to help ensure that NSCC has sufficient, readily-available qualifying liquid resources to meet the cash settlement obligations of their largest family of affiliated members. Therefore, the Commission believes that NSCC's proposal would support its ability to hold qualifying liquid resources sufficient to meet the minimum liquidity resource requirement under Rule 17Ad–22(e)(7)(i),[57] as required by Rule 17Ad–22(e)(7)(ii).[58]

Accordingly, the Commission believes that the current renewal would be consistent with Rule 17Ad–22(e)(7)(i) and (ii) under the Exchange Act.[59]

VI. Conclusion

It is therefore noticed, pursuant to Section 806(e)(1)(I) of the Clearing Supervision Act,[60] that the Commission *does not object* to Advance Notice SR–NSCC–2021–802 and that NSCC be and hereby is *authorized* to implement the change as of the date of this notice.

By the Commission.

J. Matthew DeLesDernier,

Assistant Secretary.

[FR Doc. 2021–09428 Filed 5–4–21; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–91702; File No. SR–EMERALD–2021–15]

Self-Regulatory Organizations; MIAX Emerald, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Interpretation and Policy .13 (Temporary Extension of the Limited Period for Registered Persons To Function as Principals) to Exchange Rule 1900, Registration Requirements, To Extend the Expiration Date of the Temporary Amendment Set Forth in SR–EMERALD–2020–21 From April 30, 2021 to June 30, 2021

April 29, 2021.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'' or ''Exchange Act'') [1] and Rule 19b–4 thereunder,[2] notice is hereby given that on April 21, 2021, MIAX Emerald, LLC (''MIAX Emerald'' or ''Exchange'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I and II below, which Items have been substantially prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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[52] *See supra* note 28.

[53] 12 U.S.C. 5464(b).

[54] 17 CFR 240.17Ad–22(e)(7)(i) and (ii).

[55] 17 CFR 240.17Ad–22(e)(7)(i).

[56] 17 CFR 240.17Ad–22(e)(7)(ii). For purposes of Rule 17Ad–22(e)(7)(ii), ''qualifying liquid resources'' are defined in Rule 17Ad–22(a)(14) as including, in part, cash held either at the central bank of issue or at creditworthy commercial banks. 17 CFR 240.17Ad–22(a)(14).

[57] 17 CFR 240.17Ad–22(e)(7)(i).

[58] 17 CFR 240.17Ad–22(e)(7)(ii).

[59] 17 CFR 240.17Ad–22(e)(7).

[60] 12 U.S.C. 5465(e)(1)(I).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.