

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-101949; File No. SR-NSCC-2024-011]

### Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Modify Addendum A (Fee Structure)

December 17, 2024.

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 December 9, 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 Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder.<sup>4</sup> 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

NSCC is filing the proposed rule change to modify Addendum A (Fee Structure) (“Addendum A”) of NSCC’s Rules & Procedures (“Rules”) to modify the Clearing Fund Maintenance Fee, as described below.<sup>5</sup>

#### 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

The purpose of this proposed rule change is to amend Addendum A (Fee Structure) of the Rules to modify NSCC’s Clearing Fund Maintenance Fee effective January 1, 2025. The proposed fee change is discussed in detail below.

##### Background

NSCC’s Clearing Fund Maintenance Fee was implemented in 2016 in order to (i) diversify NSCC’s revenue sources, mitigating NSCC’s dependence on revenues driven by trading volumes and (ii) add a stable revenue source that would contribute to NSCC’s operating margin by offsetting increasing costs and expenses.<sup>6</sup> The fee is charged to all NSCC Members that are required to make deposits to the NSCC Clearing Fund in proportion to the Member’s average monthly cash deposit to the Clearing Fund.

In June 2022, NSCC launched its Securities Financing Transaction (“SFT”) clearing service.<sup>7</sup> The SFT clearing service provides central clearing for SFTs, which are, broadly speaking, transactions where members borrow or lend eligible securities versus cash and simultaneously agree to exchange the same securities and cash, plus or minus a rate payment, on a future date. NSCC novates the on leg of SFT trades as a central counterparty and risk manages the outstanding SFTs through maturity. The SFT clearing service allows Members to clear SFTs for their own proprietary accounts and established new membership categories and account types for Sponsoring Members, Sponsored Members and Agent Clearing Members.<sup>8</sup>

SFT Members are required to make contributions to the Clearing Fund (“Required Fund Deposits”)<sup>9</sup> for each

<sup>6</sup> See Securities Exchange Act Release No. 78525 (Aug. 9, 2016), 81 FR 54146 (Aug. 15, 2016) (SR-NSCC-2016-002).

<sup>7</sup> See Securities Exchange Act Release No. 95011 (May 31, 2022), 87 FR 34339 (June 6, 2022) (SR-NSCC-2022-003) (Order Approving Proposed Rule Change to Introduce Central Clearing for Securities Financing Transaction Clearing Service). NSCC also filed the proposal as advance notice SR-NSCC-2022-801. See Securities Exchange Act Release No. 94998 (May 27, 2022), 87 FR 33528 (June 2, 2022) (SR-NSCC-2022-801) (Notice of No Objection to Advance Notice to Introduce Central Clearing for Securities Financing Transaction Clearing Service).

<sup>8</sup> See NSCC Rule 2C for Sponsoring Member and Sponsored Member requirements and NSCC Rule 2D for Agent Clearing Member requirements, *supra* note 5.

<sup>9</sup> Required Fund Deposit is generally defined to include the Sponsoring Member Required Fund Deposit, the Agent Clearing Member Required Fund Deposit and the Required SFT Deposit. See

applicable SFT Account<sup>10</sup> that they maintain for the SFT Clearing Service.<sup>11</sup> The cash deposits made to satisfy Required Fund Deposits for SFT Accounts are currently subject to the Clearing Fund Maintenance Fee. SFT Members also pay Trade Clearance Fees that include: (i) a fee of \$1.00 per side of each new SFT submitted (excluding any Linked SFT and Sponsored Member Transactions) and (ii) a fee of \$0.14 per million of outstanding SFT notional balance.<sup>12</sup>

##### Proposed Fee Change

Pursuant to Section V.F of Addendum A, NSCC charges a Clearing Fund Maintenance Fee, which is a monthly fee calculated, in arrears, as the product of (A) 0.35% and (B) the average of each Member’s cash deposit balance in the Clearing Fund, as of the end of each day, for the month, multiplied by the number of days for that month and divided by 360.

NSCC has evaluated the application of the Clearing Fund Maintenance Fee to cash deposits in SFT Accounts and determined to exclude SFT Accounts from the Clearing Fund Maintenance Fee. In the current bilateral market for this activity, which is not cleared, SFTs are generally subject to standard haircuts regardless of the instrument or its volatility. In the NSCC SFT clearing service, NSCC utilizes a Value-at-Risk (“VaR”) model designed to specifically manage the market and volatility risk of the underlying assets. NSCC’s VaR charge for SFTs is typically greater than the standard haircut generally used in the bilateral market and therefore raises the costs of clearing such activity. Specifically, the margin requirements associated with SFTs in the SFT clearing service increase the amount of capital necessary to participate in the service. SFT Member profit margins are traditionally slim as lenders must pass a large portion of their profits back to the beneficial owners of the underlying securities. The additional 35 basis point fee charged via the NSCC Clearance Fund Maintenance Fee may therefore create a negative return for certain

definition of Required Fund Deposit in Rule 1, *supra* note 5.

<sup>10</sup> SFT Account is defined to include an SFT Member’s SFT Account for proprietary activity as well as any Agent Clearing Member Customer Omnibus Account and any Sponsored Member Sub-Account. See definition of SFT Account in Rule 1, *supra* note 5.

<sup>11</sup> See Section 12 of NSCC Rule 56 for Required SFT Deposit generally, Section 7 of NSCC Rule 2C for Sponsoring Member Required Fund Deposit, and Section 6 of NSCC Rule 2D for Agent Clearing Member Required Fund Deposit, *supra* note 5.

<sup>12</sup> See Section II.A.2. of Addendum A of the NSCC Rules, *supra* note 5.

<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)(2).

<sup>5</sup> Capitalized terms not defined herein are defined in the Rules, available at [www.dtcc.com/legal/rules-and-procedures](http://www.dtcc.com/legal/rules-and-procedures).

Members attempting to use the SFT clearing service and may also serve to discourage broader participation, volumes, and liquidity in the SFT clearing service. NSCC also notes that SFTs are currently subject to Trade Clearance Fees that include: (i) a fee of \$1.00 per side of each new SFT submitted (excluding any Linked SFT and Sponsored Member Transactions) and (ii) a fee of \$0.14 per million of outstanding SFT notional balance, which are intended to cover the necessary costs of maintaining the service.<sup>13</sup>

To effectuate the proposed fee change, NSCC would amend Section V.F. of Addendum A concerning the Clearing Fund Maintenance Fee by inserting a parenthetical statement to clarify that the calculation of the average of each Member's cash deposit balance in the Clearing Fund would exclude cash deposit balances in any SFT Accounts.

#### Expected Impact

The proposed fee change would have a minimal impact on Members and on NSCC's overall revenues. Based on an analysis of NSCC's SFT Account cash deposits and year-to-date revenues, the impact of the proposed fee change would be significantly less than one percent of NSCC's overall revenues and would result in only slightly lower Clearing Fund Maintenance Fees for NSCC Members participating in the SFT clearing service.

#### Member Outreach

NSCC will perform outreach to those Members with SFT Accounts to notify them of the change. The Commission will be notified of any written comments received.

#### Implementation Timeframe

NSCC would implement this proposal on January 1, 2025. As proposed, a legend would be added to Addendum A stating there are changes that became effective upon filing with the Commission but have not yet been implemented. The proposed legend also would include the date on which such changes would be implemented and the file number of this proposal, and state

<sup>13</sup> NSCC's fees are cost-based plus a markup as approved by the Board of Directors or management (pursuant to authority delegated by the Board), as applicable. This markup is applied to recover development costs and operating expenses and to accumulate capital sufficient to meet regulatory and economic requirements. NSCC maintains procedures to control costs and regularly review pricing levels against costs of operation. See NSCC Disclosure Framework for Covered Clearing Agencies and Financial Market Infrastructures, available at [www.dtcc.com/legal/policy-and-compliance](http://www.dtcc.com/legal/policy-and-compliance).

that, once this proposal is implemented, the legend would automatically be removed.

#### 2. Statutory Basis

NSCC believes the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. Specifically, NSCC believes the proposed rule change is consistent with Section 17A(b)(3)(D) of the Act<sup>14</sup> and Rule 17ad-22(e)(23)(ii)<sup>15</sup> thereunder for the reasons set forth below.

Section 17A(b)(3)(D) of the Act<sup>16</sup> requires that the rules of a clearing agency provide for the equitable allocation of reasonable dues, fees, and other charges among its participants. NSCC believes the proposed fee change is reasonable and would be allocated equitably among its full-service Members. Members participating in the SFT clearing service are already subject to the Clearing Fund Maintenance Fee for all cash balances in their primary full-service accounts, which constitute the vast majority of NSCC's Clearing Fund cash balances, similar to all other full-service Members. Moreover, the SFT Trade Clearance Fees, and not the Clearing Fund Maintenance Fee, are primarily intended to cover the costs of maintaining the SFT clearing service. Any Member that wishes to join the SFT clearing service in the future would receive the same treatment on their SFT Account cash balances. As a result, NSCC believes the proposed change to the Clearing Fund Maintenance Fee is equitable.

NSCC also believes that the proposed change to the Clearing Fund Maintenance Fee is reasonable. As described above, the application of the Clearing Fund Maintenance Fee can create negative returns for certain Members attempting to use the SFT clearing service and may also serve to discourage broader participation, volumes, and liquidity in the SFT clearing service. Moreover, as noted above, the Trade Clearance Fees, and not the Clearing Fund Maintenance Fee, are primarily intended to cover the cost of the SFT clearing service. Additionally, Members participating in the SFT clearing service are already subject to the Clearing Fund Maintenance Fee for all cash balances in their primary full-service accounts, similar to all other full-service Members. The proposed change is designed to reduce economic burdens

<sup>14</sup> 15 U.S.C. 78q-1(b)(3)(D).

<sup>15</sup> 17 CFR 240.17ad-22(e)(23)(ii).

<sup>16</sup> 15 U.S.C. 78q-1(b)(3)(D).

on SFT clearing and promote greater access to the service for NSCC's Members. For this reason, NSCC believes the proposed change to the Clearing Fund Maintenance Fee is reasonable.

Rule 17ad-22(e)(23)(ii) under the Act<sup>17</sup> requires NSCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to provide sufficient information to enable participants to identify and evaluate the risks, fees, and other material costs they incur by participating in the covered clearing agency. The proposed fees would be clearly and transparently published in Addendum A of the Rules, which are available on a public website,<sup>18</sup> thereby enabling Members to identify the fees and costs associated with participating in NSCC. As such, NSCC believes the proposed rule change is consistent with Rule 17ad-22(e)(23)(ii) under the Act.<sup>19</sup>

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

Section 17A(b)(3)(I) of the Act<sup>20</sup> requires that the rules of the clearing agency do not impose any burden on competition not necessary or appropriate in furtherance of the Act. NSCC does not believe that the proposed change to the Clearing Fund Maintenance Fee would impose any burden on competition. The proposed rule change would result in a reduction of fees to Members using NSCC's SFT clearing service and would apply to any Member using or desiring the use of the SFT clearing service. NSCC believes the proposed fee change would not unfairly inhibit access to NSCC's services by any Member, and in fact, is designed to reduce burdens on SFT clearing and promote greater access to the service for NSCC's Members. NSCC therefore believes the proposed rule change would have a minimal impact on Members and would not impose any burden on competition.

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

NSCC has conducted outreach to Members to provide them with notice of the proposed fees.

NSCC has not received or solicited any written comments relating to this proposal. If any written comments are received, NSCC will amend this filing to

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

<sup>18</sup> See *supra* note 5.

<sup>19</sup> 17 CFR 240.17ad-22(e)(23)(ii).

<sup>20</sup> 15 U.S.C. 78q-1(b)(3)(I).

publicly file such comments 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](http://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 Commission's Division of Trading and Markets at [tradingandmarkets@sec.gov](mailto:tradingandmarkets@sec.gov) or 202-551-5777.

NSCC reserves the right not to respond to any comments received.

### 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>21</sup> of the Act and paragraph (f)<sup>22</sup> of Rule 19b-4 thereunder. 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.

### 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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NSCC-2024-011 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-2024-011. 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 ([www.dtcc.com/legal/sec-rule-filings](http://www.dtcc.com/legal/sec-rule-filings)). 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-2024-011 and should be submitted on or before January 13, 2025.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>23</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-101943; File No. SR-NASDAQ-2024-081]

### Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Options 7, Section 3

December 17, 2024.

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 December 3, 2024, The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange") 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 Exchange. 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 increase the Exchange's port pricing in The Nasdaq Options Market LLC ("NOM") Rules at Options 7, Section 3 for the Specialized Quote Feed ("SQF")<sup>3</sup> Ports and SQF Purge Ports.

While these amendments are effective upon filing, the Exchange has designated the proposed amendments to be operative on January 1, 2025.<sup>4</sup>

The text of the proposed rule change is available on the Exchange's website at <https://listingcenter.nasdaq.com/rulebook/nasdaq/rules>, at the principal

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> "Specialized Quote Feed" or "SQF" is an interface that allows Market Makers to connect, send, and receive messages related to quotes and Immediate-or-Cancel Orders into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; and (8) opening imbalance messages. The SQF Purge Interface only receives and notifies of purge requests from the Market Maker. Market Makers may only enter interest into SQF in their assigned options series. Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price Protection, Market Order Spread Protection, or Size Limitation in Options 3, Section 15(a)(1) and (a)(2), and (b)(2), respectively. See Options 3, Section 7(e)(1)(B).

<sup>4</sup> The Exchange initially filed this fee proposal as SR-NASDAQ-2024-063 on October 18, 2024. On December 3, 2024, the Exchange withdrew SR-NASDAQ-2024-063 and replaced it with this fee change.

<sup>21</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>22</sup> 17 CFR 240.19b-4(f).

<sup>23</sup> 17 CFR 200.30-3(a)(12).