8011-01p
SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-77709; File No. SR-NSCC-2016-001)

April 26, 2016

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of a Proposed Rule Change to Remove from the DTCC Limit Monitoring Tool the 50% Early Warning Limit Alert and Make Technical Revisions to the Rules

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 April 18, 2016, 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. 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 NSCC's Rules and Procedures ("Rules") to remove from the DTCC Limit Monitoring tool the alert that is sent to Members when trading activity in any of their Risk Entities reaches 50% of the pre-set trading limits for that Risk Entity and to make technical revisions, as described in greater detail below.[3]

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

2 17 CFR 240.19b-4.

3 Terms not defined herein are defined in the Rules, available at http://dtcc.com/~/media/Files/Downloads/legal/rules/nscc_rules.pdf.

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

(i) Reasons for Adopting the Proposed Rule Change

NSCC provides its Members with a risk management tool called DTCC Limit Monitoring, for which certain types of Members are required to register.[4] DTCC Limit Monitoring enables Members that use the tool to monitor post-trade activity and to be notified when pre-set trading limits are reached. To use the tool, Members must (1) define one or more "Risk Entities," which may include (i) the trading activity of a single trading desk within the firm; (ii) for Members that clear trades for other firms, i.e. their correspondents, the trading activity of a correspondent firm; (iii) for Members acting as a Special Representative or a QSR, as such terms are defined in the Rules,[5] the trading

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4 Rule 54 (DTCC Limit Monitoring) and Procedure XVII (DTCC Limit Monitoring), supra note 3; see Securities Exchange Act Release No. 71637 (February 28, 2014), 79 FR 12708 (March 6, 2014) (File No. SR-NSCC-2013-12).

5 Rule 7 (Comparison and Trade Recording Operation) and Procedure IV (Special Representative Service), supra note 3.

activity of a firm with which it has a clearing relationship; (iv) the trading activity of a single clearing number within the Member's NSCC account structure; or (v) all trading activity of the Member submitted to NSCC for clearing; and (2) set a trading limit, at a net notional value, for each Risk Entity. DTCC Limit Monitoring then sets early warning limits at 50%, 75%, and 90% of those trading limits.[6] Members receive alerts when trading activity for their Risk Entities reaches each of these early warning limits, as well as the pre-set trading limits.

Since the implementation of DTCC Limit Monitoring in 2014, NSCC has periodically met with a working group of its Members to discuss the functioning of the tool and to confirm it provides Members with effective post-trade surveillance as intended. In response to Member feedback provided during these discussions, NSCC is proposing to remove the 50% early warning alert for the reasons described below.

Additionally, NSCC is proposing to make technical revisions to Procedure XVII (DTCC Limit Monitoring Procedure) primarily to revise the verb tense and add clarity regarding use of the tool.

(ii) Issues the Proposed Rule Change Is Intended to Address

The proposed rule change would address concerns that (1) the 50% early warning alert is set too low and, thus, may not provide Members with useful information for purposes of effective post-trade monitoring; (2) the frequency of the 50% early warning alert could have a negative impact on Member responsiveness to more critical alerts; and (3) the verb tense and certain other language in the Rule may be unclear and/or technically inaccurate.

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6 Rule 54 (DTCC Limit Monitoring) and Procedure XVII (DTCC Limit Monitoring, supra note 3.

(iii) Manner in which the Proposed Rule Change Would Operate to Resolve the Issues

The proposed rule change would remove the 50% early warning alert from DTCC Limit Monitoring. DTCC Limit Monitoring would retain the 75% and 90% early warning alerts, which continue to provide Members with valuable notice of changes in their post-trade activity for purposes of effective risk management.

Additionally, the proposed rule change would make certain technical changes that would clarify the Rule, primarily by updating the verb tense from future tense to present tense to reflect the present applicability of the Rule and by making certain other technical clarifications to language used in the Rule.

(iv) Manner in which the Proposed Rule Change Would Affect Various Persons

Members that use DTCC Limit Monitoring would no longer receive the 50% early warning alert, but they would continue to receive alerts when their trading activity in each Risk Entity reaches 75% and 90% of their pre-set trading limits. No other changes are proposed with respect to the functioning of DTCC Limit Monitoring.

The proposed technical changes are not anticipated to have any effect on Members that use DTCC Limit Monitoring.

(v) Significant Problems Known to the Self-Regulatory Organization that Persons Affected Are Likely to Have in Complying with the Proposed Rule Change

Members that use DTCC Limit Monitoring would not have to take any action as a result of the proposed rule change, and NSCC is not aware of any problems that Members would have in continuing to comply with the Rules[7] that address DTCC Limit Monitoring after the implementation of the proposed rule change.

As stated above, the proposed technical changes are not anticipated to have any effect on Members that use DTCC Limit Monitoring.

(vi) Description of the Proposed Rule Change

In order to implement this proposed rule change, NSCC would amend Section 4 of Procedure XVII (DTCC Limit Monitoring Procedure) of the Rules to remove reference to the 50% early warning alert and to make certain technical clarifications to language used in the Rule, primarily by updating the verb tense used therein. No other changes to the Rules are contemplated by this proposed rule change.

2. Statutory Basis

Section 17A(b)(3)(F) of the Act requires, in part, that the Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions and to protect investors and the public interest.[8]

By removing the 50% early warning limit alert, which may not provide Members with information that is useful for purposes of post-trade monitoring, but, rather, may distract Members from such information, the proposed rule change would make DTCC Limit Monitoring a more effective tool for Members to monitor their post-trade activity and would enhance their ability to manage risks, facilitating the protection of investors and the public interest from such risks.

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7 Id.

8 15 U.S.C. 78q-1(b)(3)(F).

Additionally, the proposed technical changes to the Rule, which primarily update the verb tense from future tense to present tense, would provide additional clarity to NSCC Members and would ensure the accuracy of it [sic] Rules by reflecting the current, rather than the future, applicability of the DTCC Limit Monitoring Rule.

Therefore, NSCC believes the proposed rule change would protect investors and the public interest, consistent with the requirements of Section 17A(b)(3)(F) of the Act, cited above.

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

NSCC does not believe that the proposed rule change would have any impact on competition because the proposal would apply equally to all Members that use DTCC Limit Monitoring.

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

NSCC has not received any written comments relating to this proposal. NSCC will notify the Commission of any written comments received by NSCC.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self- regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NSCC-2016-001 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-2016-001. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m.

and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of NSCC and on DTCC's website (http://dtcc.com/legal/sec-rule-filings.aspx). All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NSCC-2016-001 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[9]

Robert W. Errett
Deputy Secretary

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9 17 CFR 200.30-3(a)(12).

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