



8011-01

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-87755; File No. SR-NSCC-2019-005]

### **Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Extend the Implementation Timeframe for an Approved Rule Change to Amend Procedure VII with Respect to the Receipt of CNS Securities and Make Other Changes**

December 16, 2019

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 11, 2019, 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)(4) 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

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<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)(4).

The proposed rule change would amend NSCC Rules & Procedures (“Rules”)<sup>5</sup> to extend the implementation timeframe for a rule change (“Approved Rule Change”) that became effective pursuant to rule filing SR-NSCC-2019-002, as amended (“Original Rule Filing”)<sup>6</sup> upon approval by the Commission. In this regard, pursuant to the proposed rule change, the Rules would be amended to state that the Approved Rule Change will be implemented by March 6, 2020, rather than being implemented by December 6, 2019, as stated in the Rules, as discussed below.

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 proposed rule change would amend the Rules to extend the implementation timeframe for the Approved Rule Change. In this regard, pursuant to the proposed rule change, the Rules would be amended to state that the Approved Rule Change will be

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<sup>5</sup> Capitalized terms not defined herein are defined in the Rules, available at [http://www.dtcc.com/~media/Files/Downloads/legal/rules/nscc\\_rules.pdf](http://www.dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.pdf).

<sup>6</sup> Available at <http://www.dtcc.com/legal/sec-rule-filings?subsidiary=NSCC&pgs=1>.

implemented by March 6, 2020, rather than being implemented by December 6, 2019, as stated in the Rules, as discussed below.

**(i) BACKGROUND**

Pursuant to the Approved Rule Change, NSCC (i) amended Procedure VII (CNS Accounting Operation) in the Rules with respect to the receipt of securities from NSCC's Continuous Net Settlement ("CNS") System in order to reflect a change in the allocation algorithm used during the night cycle and (ii) made certain other technical changes to the Rules. Pursuant to the Rules, the changes set forth in the Approved Rule Change are to take effect by December 6, 2019. NSCC proposes to extend the implementation timeframe for the Approved Rule Change to allow additional time to facilitate finalization of operational testing of NSCC system changes related to the implementation of the Approved Rule Change.

In this regard, pursuant to the proposed rule change, NSCC proposes to amend the Rules with respect to the implementation timeframe setting forth the date by which the Approved Rule Change will become effective, as described below.

**(ii) PROPOSED RULE CHANGE**

Procedure VII of the Rules contains the following legend ("Original Procedure VII Legend")<sup>7</sup> regarding the implementation timeframe for the Approved Rule Change.

[Changes to this Procedure VII, as amended by File No. SR-NSCC-2019-002, are available at [dtcc.com/legal/sec-rule-filings?subsidiary=NSCC](http://dtcc.com/legal/sec-rule-filings?subsidiary=NSCC).

These changes have been approved by the Securities and Exchange

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<sup>7</sup> See Rules, supra note 5 at 248.

Commission but have not yet been implemented. By December 6, 2019, these changes will be implemented, and this legend will automatically be removed from this Procedure VII.]

Pursuant to the proposed rule change, the Original Procedure VII Legend would be deleted and replaced with the following revised legend (“Revised Procedure VII Legend”).

[Changes to this Procedure VII, as amended by File No. SR-NSCC-2019-002, are available at [dtcc.com/legal/sec-rule-filings?subsidiary=NSCC](http://dtcc.com/legal/sec-rule-filings?subsidiary=NSCC). These changes have been approved by the Securities and Exchange Commission but have not yet been implemented. By March 6, 2020, these changes will be implemented, and this legend will automatically be removed from this Procedure VII.]

Addendum G of the Rules contains the following legend (“Original Addendum G Legend”)<sup>8</sup> regarding the implementation timeframe for the Approved Rule Change.

[Changes to this Addendum G, as amended by File No. SR-NSCC-2019-002, are available at [dtcc.com/legal/sec-rule-filings?subsidiary=NSCC](http://dtcc.com/legal/sec-rule-filings?subsidiary=NSCC). These changes have been approved by the Securities and Exchange Commission but have not yet been implemented. By December 6, 2019, these changes will be implemented, and this legend will automatically be removed from this Addendum G.]

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<sup>8</sup> See Rules, supra note 5 at 349.

Pursuant to the proposed rule change, the Original Addendum G Legend would be deleted and replaced with the following revised legend (“Revised Addendum G Legend”).

[Changes to this Addendum G, as amended by File No. SR-NSCC-2019-002, are available at [dtcc.com/legal/sec-rule-filings?subsidiary=NSCC](http://dtcc.com/legal/sec-rule-filings?subsidiary=NSCC). These changes have been approved by the Securities and Exchange Commission but have not yet been implemented. By March 6, 2020, these changes will be implemented, and this legend will automatically be removed from this Addendum G.]

**(iii) IMPLEMENTATION TIMEFRAME**

The proposed rule change would become effective upon filing with the Commission such that the text of the Rules would be revised to delete the Original Procedure VII Legend and Original Addendum G Legend and replace them with the Revised Procedure VII Legend and Revised Addendum G Legend, respectively, as discussed above.

2. Statutory Basis

NSCC believes this proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. Specifically, NSCC believes this proposal is consistent with Section 17A(b)(3)(F) of the Act<sup>9</sup> for the reason described below.

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<sup>9</sup> 15 U.S.C. 78q-1(b)(3)(F).

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.<sup>10</sup> NSCC believes that by allowing additional time to finalize operational testing of NSCC system changes related to the implementation of the Approved Rule Change, the proposed rule change would facilitate the ability of NSCC to implement the Approved Rule Change in a manner that minimizes the possibility of disruptions to NSCC systems, including the CNS System.<sup>11</sup> Therefore, NSCC believes that the proposed rule change to extend the implementation timeframe, which would allow additional time for NSCC to complete operational testing relating to the Approved Rule Change, would promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.

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

NSCC does not believe the proposed rule change will have any impact on competition. The proposed rule change would extend the implementation timeframe for the Approved Rule Change and not affect existing processing of securities transactions at NSCC.

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

Written comments relating to this proposed rule change have not been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

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<sup>10</sup> Id.

<sup>11</sup> The CNS System and its operation are described in Rule 11 (CNS System) and Procedure VII (CNS Accounting Operation) of the Rules, supra note 5.

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) of the Act<sup>12</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>13</sup> 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 e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NSCC-2019-005 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-2019-005. This file number should be included on the subject line if e-mail is used. To help the Commission process

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f).

and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of NSCC and on DTCC's website (<http://dtcc.com/legal/sec-rule-filings.aspx>). All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NSCC-2019-005 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.<sup>14</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

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<sup>14</sup> 17 CFR 200.30-3(a)(12).

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