



## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-103723; File No. SR-NSCC-2025-012)

### Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Remove the Other Transactions Charge from the NSCC Rules

August 15, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, as amended (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 7, 2025, 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

The proposed rule change would remove a margin charge from the Rules<sup>5</sup> that is charged to Members for certain settlement transactions other than CNS, Balance Order,

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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).

<sup>5</sup> Terms not defined herein are defined in the NSCC Rules & Procedures (“Rules” or “NSCC Rules”), available at [www.dtcc.com/legal/rules-and-procedures](http://www.dtcc.com/legal/rules-and-procedures).

Mutual Fund Services and Envelope Settlement Service transactions (“Other Transactions Charge”).<sup>6</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 proposed rule change would remove a margin charge from the Rules that is charged to Members for certain settlement transactions other than CNS, Balance Order, Mutual Fund Services and Envelope Settlement Service transactions (“Other Transactions Charge”).<sup>7</sup>

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<sup>6</sup> The Other Transactions Charge is currently imposed by NSCC pursuant to Procedure XV (Clearing Fund Formula and Other Matters), Section I.(A)(3), id. “CNS” transactions are transactions in NSCC’s CNS System described in NSCC Rule 11 (CNS System) and Procedure VII (CNS Accounting Operation); “Balance Order” transactions are transactions in NSCC’s Balance Order Accounting Operation described in Procedure V (Balance Order Accounting Operation); “Mutual Fund Services” transactions are transactions in Mutual Fund Services described in NSCC Rule 52 (Mutual Fund Services); and “Envelope Settlement Service” transactions are transactions in the Envelope Settlement Service described in NSCC Rule 9 (Envelope Settlement Service), id.

<sup>7</sup> The Other Transactions Charge is currently imposed by NSCC pursuant to Procedure XV (Clearing Fund Formula and Other Matters), Section I.(A)(3), id. “CNS” transactions are transactions in NSCC’s CNS System described in NSCC Rule 11 (CNS System) and Procedure VII (CNS Accounting Operation); “Balance Order” transactions are transactions in NSCC’s Balance Order Accounting Operation described in Procedure V (Balance Order Accounting Operation); “Mutual Fund Services” transactions are transactions in Mutual Fund Services described in NSCC Rule 52 (Mutual Fund Services); and “Envelope Settlement Service” transactions are transactions in the Envelope Settlement Service described in NSCC Rule 9 (Envelope Settlement Service), id.

(i) Overview of the Required Fund Deposit and the Other Transactions Charge

As part of its market risk management strategy, NSCC manages its credit exposure to Members by calculating the appropriate Required Fund Deposits to the Clearing Fund and monitoring the Clearing Fund's sufficiency, as provided for in the Rules.<sup>8</sup> The Required Fund Deposit serves as each Member's margin.

The objective of an NSCC Member's deposit is to mitigate potential losses to NSCC associated with a default by an NSCC Member. Each NSCC Member's Required Fund Deposit is comprised of a number of risk-based component charges, including the Other Transactions Charge, which are calculated and assessed daily. The aggregate of all Members' Required Fund Deposits constitutes the Clearing Fund of NSCC. NSCC would access its Clearing Fund should a defaulting Member's own Required Fund Deposit be insufficient to satisfy losses to NSCC caused by the liquidation of that Member's portfolio. The Clearing Fund reduces the risk that NSCC would need to mutualize any losses among non-defaulting members during the liquidation process.

The Other Transactions Charge is a flat charge based on a percentage of each Member's average settlement debits and credits of certain settlement transactions ("Other Transactions") not including CNS, Balance Order, Mutual Fund Services and the Envelope Settlement Service settlement transactions. The charge is intended to cover potential risks related to NSCC settlement activity in Other Transactions.

The charge currently varies based on each Member's Credit Risk Rating Matrix ("CRRM")<sup>9</sup> rating. For Members that have a CRRM rating of 1 through 6, the Other

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<sup>8</sup> See NSCC Rule 4 (Clearing Fund) and Procedure XV (Clearing Fund Formula and Other Matters), *supra* note 5. NSCC's market risk management strategy is designed to comply with Rule 17ad-22(e)(4) under the Act, where these risks are referred to as "credit risks." 17 CFR 240.17ad-22(e)(4).

<sup>9</sup> The CRRM is a credit risk rating model NSCC utilizes to evaluate and rate the credit risk of NSCC's U.S. bank, foreign bank, and U.S. broker-dealer Members, and rate such Members based

Transactions Charge is the greater of the following, based on a 20-day rolling average of activity: (i) 2.5% of the absolute value of debits plus the absolute value of credits or (ii) 5.0% of the absolute value of debits.

For Members with a CRRM rating of 7, the Other Transactions Charge is 10% of the 20-day rolling average of activity of the absolute value of debits plus the absolute value of credits.<sup>10</sup>

(ii) Proposed Changes to the Other Transactions Charge

NSCC regularly assesses its margining methodologies to evaluate whether margin levels are commensurate with the particular risk attributes of each relevant product, portfolio, and market. In connection with such reviews, NSCC has determined that the Other Transactions Charge is not necessary to address the risks relating to Other Transactions. NSCC is proposing to discontinue the application of the Other Transactions Charge and remove it from the Rules.

NSCC established the Other Transactions Charge initially to cover risk relating to the Envelope Settlement Service (“ESS”) which, at the time, was a guaranteed activity.<sup>11</sup> All Clearing Fund activity at the time was a flat charge of 2.5% of all settlement debits and credits. This charge was added to address the risk raised when the debit balances for participants using ESS exceeded their credit balances and exceeded their excess net capitalization.<sup>12</sup>

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upon qualitative and quantitative information. See definition of Credit Risk Rating Matrix in NSCC Rule 1 (Definitions and Descriptions), supra note 5.

<sup>10</sup> Members that have a credit rating of 6 or 7 are placed on the “Watch List.” See definition of Watch List in NSCC Rule 1, supra note 5. Although the Other Transactions Charge formula in Procedure XV does not contemplate a 10% charge, NSCC may require Members on the Watch List to make deposits to the Clearing Fund over and above the amount determined in accordance with Procedure XV. See NSCC Rule 2B (Ongoing Membership Requirements and Monitoring), Section 4(e) and Procedure XV, Section I.(B)(1).

<sup>11</sup> See Securities Exchange Act Release No. 18852 (June 18, 1982), 47 FR 29426 (June 28, 1982) (SR-NSCC-82-10).

<sup>12</sup> Id.

Over time, in addition to CNS and Balance Order activity, certain non-guaranteed activity was excluded from the charge. In particular, Mutual Fund Services (“MFS”), which is a non-guaranteed activity, was excluded from the Other Transactions Charge when separate Clearing Fund requirements were added for MFS,<sup>13</sup> and ESS was excluded from the Other Transactions Charge when it became non-guaranteed activity.<sup>14</sup> Currently, the activity that is subject to the charge is a mix of guaranteed and non-guaranteed activity. NSCC has reviewed all the settlement codes included in the Other Transactions Charge, which is comprised of 43 NSCC settlement codes, of which 6 represent guaranteed transactions and 37 represent non-guaranteed transactions. The Other Transactions Charge calculation does not distinguish guaranteed from non-guaranteed settlement activities, even though NSCC has different obligations and faces different risks for each.

NSCC proposes to retire the Other Transactions Charge because the charge has become misaligned with the risk of the activity subject to the charge and the amounts raised by the charge are immaterial to the overall Clearing Fund. Any risks relating to the guaranteed activity subject to the charge are adequately addressed by the current Clearing Fund methodology and risk management framework through other charges. Of the 6 guaranteed transactions covered by the Other Transactions Charge, the settlement exposure stemming from 3 of the transaction codes is captured in the mark-to-market charge<sup>15</sup> at NSCC and in NSCC’s liquidity needs sufficiency calculation. Settlement

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<sup>13</sup> See Securities Exchange Act Release No. 26377 (Dec. 20, 1988), 53 FR 52546 (Dec. 28, 1988) (SR-NSCC-87-12). The Clearing Fund requirements relating to MFS have since been removed as MFS is non-guaranteed activity and there is currently no Clearing Fund requirement for MFS activity. See Securities Exchange Act Release No. 93722 (Dec. 6, 2021), 86 FR 70548 (Dec. 10, 2021) (SR-NSCC-2021-015).

<sup>14</sup> See Securities Exchange Act Release No. 61415 (Jan. 25, 2010), 75 FR 4896 (Jan. 29, 2010) (SR-NSCC-2010-01).

<sup>15</sup> See Procedure XV, Section I.(A)(1)(b), supra note 5.

activity stemming from 2 of the transaction codes relates to a process that is being removed by NSCC.<sup>16</sup> The guaranteed transactions represented by the remaining settlement code present no settlement exposure due to only being used for internal tracking purposes with no impact to NSCC positions.<sup>17</sup>

The non-guaranteed activity subject to the charge poses no market risk to NSCC. In the event of a Member default relating to non-guaranteed activity, NSCC can reverse any unpaid settlement debits and corresponding credits owed to counterparties relating to that activity thus making the Other Transactions Charge unnecessary to cover any risks of such activity. This proposal better aligns the Clearing Fund formula with the Clearing Fund methodology and risk management framework at NSCC.

(iii) Detailed Description of Proposed Rule Change

NSCC is proposing to delete Section I.(A)(3) of Procedure XV which contains the Other Transactions Charge.

(iv) Impact of Proposed Changes

The collection of the Other Transactions Charge provided an additional deposit of \$27.2 million or 0.24% of the daily average total Clearing Fund of \$11.24 billion in 2024.

NSCC conducted an impact study of the proposed changes based on data from July 29, 2024 through November 21, 2024 (“Impact Study”). The Impact Study indicated that during the Impact Study period, the guaranteed Other Transactions covered by the Other Transactions Charge accounted for approximately 1.4% of the average daily credit amount of \$205.7 million and 0.6% of the average daily debit amount of \$210.4 million.

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<sup>16</sup> These two transaction codes are used to track credits and debits relating to positions processed through NSCC’s Fully-Paid-For-Account. See Addendum G (Fully-Paid-For Account) of the Rules, *supra* note 5. The positions placed in the Fully-Paid-For-Accounts are also subject to the normal margining process and subject to separate margin charges. NSCC is in the process of removing the Fully-Paid-For Account. See Securities Exchange Act Release No. 103390 (July 3, 2025), 90 FR 30538 (July 9, 2025) (SR-NSCC-2025-10).

<sup>17</sup> The remaining transaction code is used by NSCC for internal accounting of dividend payments and does not affect any individual Member positions.

## Implementation Timeframe

NSCC would implement the proposed rule change by no later than 60 Business Days after the approval of the proposed rule change by the Commission. NSCC would announce the effective date of the proposed changes by an Important Notice posted to its website.

## 2. Statutory Basis

NSCC believes 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. Specifically, NSCC believes that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act<sup>18</sup> and Rule 17ad22(e)(6)(i),<sup>19</sup> each as promulgated under the Act, for the reasons described below.

Section 17A(b)(3)(F) of the Act requires, in part, that the Rules be designed to, among other things, remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions.<sup>20</sup> The proposed revisions are consistent with this provision because the proposed revisions would remove a requirement to pay the Other Transactions Charge that NSCC has determined is not necessary to mitigate potential losses to NSCC associated with Other Transactions. In a review of its margining methodologies, NSCC has determined that the Other Transactions Charge has become misaligned with the risk of the activity subject to the charge and the amounts raised by the charge are immaterial to the overall Clearing Fund. The non-guaranteed activity subject to the Other Transactions Charge poses no risk to NSCC. In the event of a Member default relating to non-guaranteed activity, NSCC can reverse any unpaid settlement debits and corresponding credits owed to

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<sup>18</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>19</sup> 17 CFR 240.17ad-22(e)(6)(i).

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

counterparties relating to that activity thus making the Other Transactions Charge unnecessary to cover any risks of such activity. Any risks relating to the guaranteed activity subject to the Other Transactions Charge are adequately addressed by the current Clearing Fund methodology and risk management framework through other charges. Removing the requirement of the Other Transactions Charge would allow Members to engage in Other Transactions without having to incur costs associated with incurring an Other Transactions Charge. As such, NSCC believes the proposed rule change would remove impediments to and perfect the mechanism for the prompt and accurate clearance and settlement of securities transactions consistent with Section 17A(b)(3)(F) of the Act.

Rule 17ad-22(e)(6)(i) under the Act requires NSCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposures to its Members by establishing a risk-based margin system that, at a minimum, considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market.<sup>21</sup> In a review of its margining methodologies, NSCC has determined that the Other Transactions Charge has become misaligned with the risk of the activity subject to the charge, and the amounts raised by the charge are immaterial to the overall Clearing Fund. The non-guaranteed activity subject to the Other Transactions Charge poses no risk to NSCC. In the event of a Member default relating to non-guaranteed activity, NSCC can reverse any unpaid settlement debits and corresponding credits owed to counterparties relating to that activity thus making the Other Transactions Charge unnecessary to cover any risks of such activity. Any risks relating to the guaranteed activity subject to the charge are adequately addressed by the current Clearing Fund methodology and risk management framework through other charges. Therefore, NSCC believes the coverage of its credit

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<sup>21</sup> 17 CFR 240.17ad-22(e)(6)(i).

exposures to NSCC Members engaging in Other Transactions without applying an Other Transactions Charge is consistent with Rule 17ad-22(e)(6)(i) under the Act.

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

Section 17A(b)(3)(I) of the Act<sup>22</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 the proposed change would have an adverse impact or impose a burden on competition. The proposed change would remove a requirement to pay the Other Transactions Charge for Members that engage in Other Transactions that NSCC believes is not necessary. The proposed change would not be adding any obligations on Members that are using NSCC's services. As such, the proposed change would not impede any Members from engaging in the services or have an adverse impact on any Members. Moreover, the proposed change may promote competition because the proposed change could enhance participation in Other Transactions by removing the obligation to pay an Other Transactions Charge.

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

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

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<sup>22</sup> 15 U.S.C. 78q-1(b)(3)(I).

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/rules-regulations/how-submit-comment](http://www.sec.gov/rules-regulations/how-submit-comment). 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 to not 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>23</sup> of the Act and paragraph (f) of Rule 19b-4 thereunder.<sup>24</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. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or 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

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<sup>23</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>24</sup> 17 CFR 240.19b-4(f).

(<https://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-2025-012 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-2025-012. 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 filing 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-2025-012 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>25</sup>

**J. Matthew DeLesDernier,**

*Deputy Secretary.*

[FR Doc. 2025-15837 Filed: 8/19/2025 8:45 am; Publication Date: 8/20/2025]

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<sup>25</sup> 17 CFR 200.30-3(a)(12).