



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105593; File No. SR-NSCC-2026-008]

### **Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change to Enhance NSCC’s Clearing Fund Methodology**

June 1, 2026.

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 May 26, 2026, 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 would modify the NSCC Rules & Procedures (“NSCC Rules”)<sup>3</sup> to enhance NSCC’s Clearing Fund methodology to address certain risks presented by exchange-traded products (“ETPs”).

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

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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> Capitalized terms not defined herein shall have the meaning assigned to such terms in the NSCC Rules, *available at* [www.dtcc.com/legal/rules-and-procedures](http://www.dtcc.com/legal/rules-and-procedures).

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

**Background**

(i) Overview of the NSCC Clearing Fund

NSCC is a clearing agency that provides clearing, settlement, risk management, and central counterparty (“CCP”) services for trades involving equity securities, corporate and municipal debt, ETPs,<sup>4</sup> and unit investment trusts. NSCC manages its credit exposure to its Members by determining the appropriate Required Fund Deposit to the Clearing Fund for each Member and by monitoring the sufficiency of such deposits, as provided for in the NSCC Rules.<sup>5</sup>

NSCC Procedure XV describes NSCC’s Clearing Fund formula and methodology. NSCC calculates and collects Clearing Fund from its Members (i.e., a Required Fund Deposit) on a daily basis using a risk-based margin methodology. The objective of a Member’s Required Fund Deposit is to mitigate potential losses to NSCC associated with liquidating a Member’s portfolio in the event NSCC ceases to act for that Member (hereinafter referred to as a “default”).<sup>6</sup> Required Fund Deposits operate,

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<sup>4</sup> ETPs cleared by NSCC include exchange-traded funds (“ETFs”) and exchange-traded notes (“ETNs”). ETFs are securities that are traded on an exchange and track underlying securities, indexes or other financial instruments, including equities, corporate and municipal bonds and treasury instruments. ETNs are unsecured debt obligations of financial institutions that trade on a securities exchange.

<sup>5</sup> See NSCC Rule 4 (Clearing Fund) and Procedure XV (Clearing Fund Formula and Methodology), *supra* note 3.

<sup>6</sup> The NSCC Rules identify when NSCC may cease to act for a Member and the types of actions NSCC may take. See NSCC Rule 46 (Restrictions on Access to Services), *supra* note 3.

individually, as the Member's margin, and the aggregate of all such Members' deposits is referred to, collectively, as the Clearing Fund, which operates as NSCC's default fund. NSCC would access the 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.

Each Member's Required Fund Deposit amount consists of a number of applicable components, each of which is calculated to address specific risks faced by NSCC, as identified within the NSCC Rules. The major components of NSCC's Clearing Fund charges include, but are not limited to: (i) volatility charges for securities based on asset type and liquidity profile ("Volatility Charge"); (ii) mark-to-market charges; (iii) fail charges; (iv) a charge for Family-Issued Securities to mitigate wrong-way risk; (v) a charge to mitigate day over day margin differentials; (vi) a coverage component; (vii) a margin liquidity adjustment component; (viii) a backtesting charge; and (ix) an excess capital premium charge. The primary component of NSCC's Clearing Fund is the Volatility Charge, which is designed to measure market price volatility of each Member's start of day ("SOD") portfolio.

(ii) Volatility Charge Component of the Clearing Fund

The Volatility Charge of each Member's Required Fund Deposit is designed to measure the market price volatility of the SOD portfolio and is calculated for Members' Net Unsettled Positions<sup>7</sup> and Net Balance Order Unsettled Positions<sup>8</sup> (hereinafter,

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<sup>7</sup> Net Unsettled Positions are defined in the NSCC Rules as a Member's net of unsettled Regular Way, When-Issued and When-Distributed positions in CNS Securities that have not yet passed Settlement Date and net positions in CNS Securities that did not settle on Settlement Date. *See* Definitions and Descriptions in NSCC Rule 1, *supra* note 3.

<sup>8</sup> Net Balance Order Unsettled Positions are defined as a Member's net of unsettled Regular Way, When-Issued and When-Distributed positions in Balance Order Securities that have not yet passed Settlement Date. *See* Definitions and Descriptions in NSCC Rule 1, *supra* note 3.

collectively referred to as “Net Unsettled Positions”). The Volatility Charge is designed to capture the market price risk<sup>9</sup> associated with each Member’s portfolio at a 99th percentile level of confidence. The Volatility Charge component usually comprises the largest portion of a Member’s Required Fund Deposit.

NSCC has two methodologies for calculating the Volatility Charge. For the majority of equity Net Unsettled Positions, NSCC calculates the Volatility Charge as the sum of (1) the greater of (a) the larger of two separate calculations that utilize a parametric Value-at-Risk (“VaR”) model<sup>10</sup> and (b) a portfolio margin floor calculation (“Margin Floor”) based on the market values of the long and short positions in the portfolio<sup>11</sup> and (2) a gap risk measure calculation (“Gap Risk Charge”) based on the concentration threshold of the two largest non-diversified positions in a portfolio (collectively, the “VaR Charge”).<sup>12</sup> NSCC also excludes certain equity Net Unsettled Positions from the calculation of the VaR Charge and instead applies a haircut-based volatility charge that is calculated by multiplying the absolute value of those Net Unsettled Positions by a percentage.<sup>13</sup>

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<sup>9</sup> Market price risk refers to the risk that volatility in the market causes the price of a security to change between the execution of a trade and settlement of that trade. This risk is also referred to herein as market risk and volatility risk.

<sup>10</sup> The parametric VaR calculation utilizes (i) an exponentially-weighted moving average (“EWMA”) estimation and (ii) an evenly-weighted estimation that is directly compared to the EWMA parameter. The greater of these two separate calculations produces a single core parametric result (“Core Parametric Estimation”).

<sup>11</sup> The Margin Floor is then compared to the Core Parametric Estimation to determine the parametric VaR (i.e., the parametric VaR is the highest among the Core Parametric Estimation and the Margin Floor).

<sup>12</sup> See Procedure XV, Sections I(A)(1)(a)(i) and I(A)(2)(a)(i) of the NSCC Rules, *supra* note 3.

<sup>13</sup> See Procedure XV, Sections I(A)(1)(a)(ii) and I(A)(2)(a)(ii) of the NSCC Rules, *supra* note 3.

*Fat Tail Adjustment Factor.* Under NSCC’s current parametric VaR model methodology, NSCC supplements its assumption of a normal return distribution for equity portfolios with a factor that utilizes the degrees of freedom (“DOF”) derived from a family of Student’s t-distributions, which are more representative of the historically observed return distributions in the equities markets (the “Fat Tail Adjustment Factor”).<sup>14</sup> NSCC estimates periodically the DOF factor of the empirical t-distribution in the model by using daily return data from an industry standard index over a historical window of no shorter than 12 months. NSCC then computes a multiplication factor that represents the magnitude of increase of t-distribution-based parametric VaR from the normal-based parametric VaR. This multiplication factor is then applied to parametric VaR.

*Bid-Ask Spread Charge.* In calculating estimations of volatility for the Core Parametric Estimation, NSCC also includes an additional charge designed to cover the risk presented by the variation of bid-ask spreads over time and varying market conditions (“Bid-Ask Spread Charge”). The Bid-Ask Spread Charge is measured by multiplying the gross market value of each Net Unsettled Position by a basis point charge.<sup>15</sup> The applicable basis point charge is based on the following groups/classifications: (i) large and medium capitalization equities; (ii) small

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<sup>14</sup> In 2014, the Commission issued a notice of no objection to an advance notice filing by NSCC to make certain enhancements to its parametric VaR model by supplementing the assumption of normal distribution underlying the current model with a family of Student’s t-distributions. The Fat Tail Adjustment Factor is not currently described in the NSCC Rules. *See* Securities Exchange Act Release No. 72260 (May 27, 2014), 79 FR 31360 (June 2, 2014) (SR-NSCC-2014-802). The Fat Tail Adjustment Factor is described in NSCC’s internal methodology and risk model documentation and in the externally available NSCC Risk Margin Component Guide, posted on the DTCC website at [www.dtcclearing.com/products-and-services/equities-clearing/nscc-risk-management.html](http://www.dtcclearing.com/products-and-services/equities-clearing/nscc-risk-management.html).

<sup>15</sup> *See* Procedure XV, Sections I(A)(1)(a)(i)I and I(A)(2)(a)(i)I of the NSCC Rules, *supra* note 3.

capitalization equities; (iii) micro-capitalization equities; and (iv) ETPs. NSCC reviews the basis point charges at least annually.

*Gap Risk Charge.* In addition to the Core Parametric Estimation and the Margin Floor, NSCC calculates a Gap Risk Charge, which is designed to address a pronounced form of idiosyncratic risk from unexpected, large, gap-like price movements of a stock due to company-specific events. The Gap Risk Charge is added, if applicable, to the parametric VaR to determine the VaR Charge.<sup>16</sup>

The Gap Risk Charge is assessed if the sum of the gross market values of the two largest non-diversified Net Unsettled Positions in a Member's portfolio represents a percentage designated by NSCC of the gross market value of the entire portfolio (the "Concentration Threshold"), currently set at a value that is no greater than 30 percent. The amount of the Gap Risk Charge is determined by adding the sum of (1) the product of (A) the gross market value of the largest non-diversified Net Unsettled Position and (B) a "gap risk haircut" determined by NSCC of not less than five percent and (2) the product of (A) the gross market value of the second largest non-diversified Net Unsettled Position and (B) a gap risk haircut, no larger than the gap risk haircut applied to the largest Net Unsettled Position (but not less than 2.5 percent). The Concentration Threshold and the gap risk haircuts are determined by NSCC from time to time and are calibrated based on backtesting and impact analysis during a time period of not less than the previous 12 months.<sup>17</sup>

Additionally, NSCC excludes ETF<sup>18</sup> positions from the calculation if the positions have characteristics that indicate that they are less prone to the effects of gap risk events.

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<sup>16</sup> See Procedure XV, Sections I(A)(1)(a)(i)III and I(A)(2)(a)(i)III of the NSCC Rules, *supra* note 3.

<sup>17</sup> See *id.*

<sup>18</sup> As noted above, ETFs are securities that are traded on an exchange and that track underlying securities, indexes or other financial instruments, including equities,

Such characteristics include whether the ETF positions track to an index that is linked to a broad-based market index, contain a diversified underlying basket, are unleveraged, or track to an asset class that is less prone to gap risk.<sup>19</sup>

### **Proposed Changes to the NSCC Rules**

NSCC proposes to amend the NSCC Rules to (i) enhance its Gap Risk Charge methodology to address certain risks presented by ETFs; (ii) enhance the Bid-Ask Spread Charge by applying more granular basis point charges for different sub-categories of ETPs; and (iii) describe the use of the Fat Tail Adjustment Factor in the parametric VaR calculation. The proposed changes are described in detail below.

(i) *Proposed Enhancements to the Gap Risk Charge*

NSCC proposes to enhance its methodology for the Gap Risk Charge by introducing a mapping and decomposition process for ETFs that is designed to more accurately isolate and address the risk exposures of the underlying ETF holdings. The proposed rule change would allow NSCC to (i) map certain leveraged or inverse equity

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corporate and municipal bonds and treasury instruments. Unlike mutual funds, ETFs are created with the assistance of certain financial institutions called authorized participants (“APs”), often banks, that are given the ability to create and redeem ETF shares directly from the ETF issuer. To create ETF shares, an AP can either deliver a pre-specified bundle of securities underlying the ETFs (i.e., an “in-kind basket”) in exchange for ETF shares or provide cash equal to the value of the cost of purchasing underlying securities for the ETF shares. To redeem ETF shares, an AP would do the opposite – deliver ETF shares to the ETF issuer in exchange for an in-kind basket of underlying securities or cash equal to the value of the underlying securities. NSCC supports the creation and redemption of ETFs on both a “cash-only” and “in-kind” basis. “Cash-only” creations and redemptions represent an exchange of ETF shares for cash rather than for the component securities and other assets in the trading basket. “In-kind” ETF creations and redemptions represent an exchange of ETF shares for the component securities and other assets in the trading basket. *See* NSCC Rule 7 (Comparison and Trade Recording Operation (Including Special Representative/Index Receipt Agent)) and Procedure II (Trade Comparison and Recording Service), Section F concerning the ETF creation/redemption process, *supra* note 3.

<sup>19</sup> *See* Securities Exchange Act Release No. 98086 (Aug. 8, 2023), 88 FR 55100 (Aug. 14, 2023) (SR-NSCC-2022-015).

ETFs<sup>20</sup> to a related non-leveraged ETF with in-kind baskets with adjustment of the corresponding leverage/inverse factor; (ii) decompose equity ETFs eligible for in-kind baskets, including the mapped ETFs from (i), into their underlying components; and (iii) map single stock ETFs to their corresponding single stock positions with adjustments for any corresponding leverage/inverse factor, so that NSCC can net indirect and direct exposures within a Member's portfolio.

NSCC proposes to modify Sections I(A)(1)(a)(i)(III) and I(A)(2)(a)(i)(III) of Procedure XV to describe the proposed enhancements to the Gap Risk Charge. First, NSCC would revise the NSCC Rules to provide that the enhanced Gap Risk Charge would be assessed based on the sum of the gross market values of the two largest non-diversified "net positions" within a Member's portfolio, rather than the Net Unsettled Positions. The proposed rule change would further provide that, for purposes of determining "net positions" for the Gap Risk Charge calculation, NSCC would start with Net Unsettled Positions and then apply a mapping and decomposition process for ETF Net Unsettled Positions to isolate the risk exposures of the underlying ETF holdings, which is described in further detail below. The proposed changes are intended to reflect the application of the proposed mapping and decomposition process in determining the net position used to (i) determine whether positions in the portfolio exceed the Concentration Threshold and (ii) calculate the resultant Gap Risk Charge.

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<sup>20</sup> A "leveraged" ETF is an ETF that seeks to deliver multiples of the daily performance of the index or benchmark it tracks. For example, a 2x (or two times) leveraged ETF seeks to deliver double the daily performance of the index or benchmark that it tracks. An "inverse" ETF seeks to deliver the opposite of the daily performance of the index or benchmark it tracks. To accomplish their objectives, leveraged and inverse ETFs may pursue a range of investment strategies through the use of swaps, futures contracts, and other derivative instruments. See U.S. Securities and Exchange Commission, Commission Investor Bulletin, *Leveraged and Inverse ETFs: Specialized Products with Extra Risks for Buy-and-Hold Investors*, Office of Investor Education and Advocacy (Aug. 29, 2023), available at <https://sec.gov/investor/pubs/leveragedetfs-alert.htm>.

Second, NSCC would amend the NSCC Rules to describe the proposed mapping and decomposition process, which would enable the Gap Risk Charge to account for both direct exposure and indirect exposure for applicable equities. Specifically, the proposed rule change would provide that (i) equity ETFs eligible for in-kind baskets may be decomposed into positions in their underlying components; (ii) leveraged or inverse equity ETFs may be mapped to a related non-leveraged ETF with in-kind baskets, which may then be decomposed into positions in their underlying components; and (iii) single stock ETFs may be mapped to their corresponding single stock positions.

Third, NSCC would amend the NSCC Rules to provide that NSCC would then net all positions, whether they have direct exposure from the Net Unsettled Positions within the original portfolio or indirect exposures from the ETF mapping and decomposition process, to establish the “net positions” for the Gap Risk Charge calculation.

Accordingly, the Gap Risk Charge would then be determined by adding the sum of the product of the gross market value of the two largest non-diversified net positions (as derived by the mapping and decomposition process) and corresponding gap risk haircuts established by NSCC, if the sum of the gross market values of the two largest non-diversified net positions in the portfolio represent a percentage designated by NSCC of the gross market value of the entire liquid equity portfolio, minus the exempted equity ETFs.

In addition, NSCC would modify its existing procedures for determining which ETFs would be excluded from the Gap Risk Charge calculation by moving those procedures from a footnote into the body of the NSCC Rules and clarifying that the characteristics that are described to determine the exclusions (e.g., whether the ETF positions track to an index that is linked to a broad-based market index, contain a diversified underlying basket, are unleveraged, or track to an asset class that is less prone to gap risk) are not exclusive and may be subject to modification by NSCC.

NSCC believes the proposed changes would improve the design of its current Gap Risk Charge methodology, which does not fully account for idiosyncratic risks presented by the underlying holdings of ETFs and broadly exempts diversified ETFs from the charge entirely without considering potential idiosyncratic risks. The proposed changes would enhance the Gap Risk Charge to address security exposures embedded in single-stock ETFs and those ETFs currently exempted from the Gap Risk Charge, which may contribute to the concentration risk of single name equities presented by such ETFs in a Member's portfolio. The proposed mapping and decomposition process is designed to enable NSCC to address unique risks presented by equity-based ETFs. By mapping leveraged and inverse equity ETFs to related non-leveraged ETFs with in-kind baskets, decomposing in-kind baskets into their underlying components, and mapping single stock ETFs to their corresponding single stock positions, and then netting and aggregating the resulting positions, NSCC would be able to better assess and address the underlying security exposures embedded within single-stock ETFs and those ETFs currently exempted from the Gap Risk Charge. NSCC therefore believes that the proposed change would result in more accurate and appropriate Gap Risk Charges for Member portfolios.

(ii) *Proposed Enhancements to the Bid-Ask Spread Charge*

NSCC also proposes to enhance its Bid-Ask Spread Charge by applying more granular basis point charges for different sub-categories of ETPs. Specifically, NSCC proposes to revise Sections I(A)(1)(a)(i)I and I(A)(2)(a)(i)I of Procedure XV of the NSCC Rules to provide that NSCC would apply different basis point charges within the ETP risk group based on an ETP's inclusion in additional sub-categories determined by NSCC, which would be based on factors such as capitalization or asset class.<sup>21</sup>

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<sup>21</sup> Examples of such sub-categories may include but are not limited to: (i) large and mid-capitalization ETPs; (ii) small and micro capitalization ETPs; (iii) cryptocurrency ETPs; and (iv) fixed income ETPs.

As discussed above, the Bid-Ask Spread Charge is calculated by multiplying the gross market value of each Net Unsettled Position by an applicable basis point charge, which is determined based on the following groups/classifications: (i) large and medium capitalization equities; (ii) small capitalization equities; (iii) micro-capitalization equities; and (iv) ETPs.<sup>22</sup> NSCC currently applies one standard basis point charge for all ETPs, which assumes that all ETPs share similar liquidity and bid-ask spread haircuts.

The proposed rule change would enhance the current design of the Bid-Ask Spread Charge by improving the granularity of the basis point charges used within the ETP risk group to account for different asset classes and market capitalizations of ETPs. As a result, NSCC believes that the proposed change would result in more accurate and representative Bid-Ask Spread Charges for the liquidity profile of different types of ETPs.

*(iii) Proposed Clarifications Related to the Fat Tail Adjustment Factor*

Finally, NSCC proposes to modify the NSCC Rules to include a description of the Fat Tail Adjustment Factor used in its parametric VaR calculations and to provide additional clarification that NSCC may apply different parameter values to more accurately calibrate for the tail risk of different Member portfolio types. Specifically, NSCC proposes to modify Sections I(A)(1)(a)(i)I and I(A)(2)(a)(i)I of Procedure XV, which currently state that the volatility component calculation of the VaR Charge shall be made utilizing such assumptions and based on such historical data as NSCC deems reasonable and shall cover such range of historical volatility as NSCC from time to time deems appropriate, to include that such assumptions and historical data would also account for the tail risk of Member portfolio types.

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<sup>22</sup> See Procedure XV, Sections I(A)(1)(a)(i)I and I(A)(2)(a)(i)I of the NSCC Rules, *supra* note 3.

As discussed above, NSCC currently applies one Fat Tail Adjustment Factor for all portfolios based on an industry standard index as a proxy for tail risk calibration. While the current Fat Tail Adjustment Factor is conservative from a risk perspective, the current approach does not reflect the complexity of all Member portfolios, which include long and short positions, diverse securities, and dynamic compositions. As a result, NSCC may calibrate tail risk using actual member portfolio residuals for better accuracy. NSCC believes that calibrating the Fat Tail Adjustment Factors based on considerations of portfolio characteristics such as portfolio size would result in more accurate estimations of risk and associated margin requirements.

The proposed rule change would improve Members understanding of the use of the Fat Tail Adjustment Factor in NSCC's parametric VaR calculations and clarify that Fat Tail Adjustment Factor parameters may be calibrated from time to time to ensure that NSCC is appropriately addressing tail risk for various Member portfolio types.

(iv) Anticipated Impact on Members

NSCC conducted an impact analysis of portfolios over the period January 2025 to February 2026 ("Impact Study"). If the proposed rule change had been in place during the Impact Study period, the analysis showed that the proposed changes would have resulted in an overall increase of approximately \$60 million across NSCC Members, which is less than 1 percent of the total VaR Charge.

With respect to the Gap Risk Charge, the Impact Study showed an average daily increase in the overall Gap Risk Charge of approximately \$223 million (from \$727 million to approximately \$950 million), which was mostly attributable to changes in portfolio concentration profile due to the netting of indirect and direct security exposures. With respect to the Bid-Ask Spread Charge, the Impact Study showed an average daily increase in the overall Bid-Ask Spread Charge of approximately \$6 million (from \$96 million to approximately \$102 million). Finally, for the Fat Tail Adjustment Factor

calibration, the Impact Study showed an average daily reduction in the VaR Charge of approximately \$168 million (from \$5.49 billion to approximately \$5.32 billion).

NSCC notes that individual Member-level impacts would vary based on the composition and size of each Member's portfolio. With respect to the Gap Risk Charge, the Impact Study results for the top 20 largest daily average notional impacts by account showed an increase in the Gap Risk Charge ranging from approximately \$4.4 million to \$23.4 million, with 15 of those accounts seeing an average impact of less than \$10 million. The percentage impact for the top 20 largest accounts ranged from approximately 110 to 750 percent increases in the Gap Risk Charge; however, there was also one Member account that would have seen Gap Risk Charges imposed that had not previously incurred such charges. As noted above, these larger impacts are mostly attributable to changes in portfolio concentration profiles due to the netting of indirect and direct security exposures, which were not previously captured in the Gap Risk Charge on these portfolios.

For the Bid-Ask Spread Charge, the Impact Study results for the top 20 largest daily average notional impacts by account showed a reduction in the charge of approximately \$75,000 to \$100,000 for two Member accounts and increases ranging from approximately \$82,000 to \$752,000 for the rest of the top 20 accounts, with half of those accounts seeing an increase of less than \$150,000. From a percentage impact perspective, all but three of the most impacted accounts saw an increase in the Bid-Ask Spread Charge of 50 percent or less.

For the Fat Tail Adjustment Factor calibration, the Impact Study results for the top 20 largest daily average notional impacts by account showed reductions in the parametric VaR ranging from approximately \$2.6 to \$13 million. Meanwhile, the top 20 percentage impacts fall between the range of 3.3 to 3.7 percent of reduction.

NSCC will perform individual client outreach by sharing impact studies for all Members and conducting targeted outreach for Members that are most significantly impacted by the proposed rule change.

### **Implementation Timeframe**

NSCC expects to implement the proposed rule change by no later than October 30, 2026. NSCC would announce the effective date of the proposed changes by an Important Notice posted to NSCC's 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 changes are consistent with Section 17A(b)(3)(F) of the Act<sup>23</sup> and Rules 17ad-22(e)(4) and (6) thereunder<sup>24</sup> for the reasons set forth below.

Section 17A(b)(3)(F) of Act<sup>25</sup> requires, in part, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible and, in general, to protect investors and the public interest. The proposed rule change would improve risk management at NSCC by enhancing its Clearing Fund calculations, specifically as they relate to the Gap Risk Charge, Bid-Ask Spread Charge, and Fat Tail Adjustment Factor. First, the proposed rule change would improve the design of NSCC's Gap Risk Charge methodology by more accurately isolating and addressing the risk exposures of

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<sup>23</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>24</sup> 17 CFR 240.17ad-22(e)(4) and (6).

<sup>25</sup> 15 U.S.C. 78q-1(b)(3)(F).

underlying ETF holdings, such as security exposures embedded in single-stock ETFs and those ETFs currently exempted from the Gap Risk Charge, which may contribute to the concentration risk presented by such ETFs in a Member's portfolio. Second, the proposed rule change would enhance the Bid-Ask Spread Charge by improving the granularity of the basis point charges used within the ETP risk group to account for different asset classes and market capitalizations, resulting in more accurate and representative Bid-Ask Spread Charges for the liquidity profile of different types of ETPs. Third, the proposed rule change would improve Members understanding of the use of the Fat Tail Adjustment Factor in NSCC's parametric VaR calculations and clarify that Fat Tail Adjustment Factor parameters may be calibrated from time to time to ensure that NSCC is appropriately addressing tail risk for various Member portfolio types. NSCC uses the margin and Clearing Fund it collects to mitigate potential losses to NSCC (and through loss allocation, to its Members) associated with liquidating a defaulting Member's portfolio and to continue to effect the prompt and accurate clearance and settlement of securities transactions in the event of a Member default. As a result, NSCC believes the proposed rule change is designed to promote the prompt and accurate clearance and settlement of securities transactions, to assure the safeguarding of securities and funds which are in the custody or control of NSCC or for which it is responsible and, in general, to protect investors and the public interest in accordance with the requirements of Section 17A(b)(3)(F) of Act.

Rule 17ad-22(e)(6)(i)<sup>26</sup> under the Act requires that each covered clearing agency that provides CCP services establish, implement, maintain, and enforce written policies and procedures reasonably designed to establish a risk-based margin system that, among other things, considers, and produces margin levels commensurate with, the risks and

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<sup>26</sup> 17 CFR 240.17ad-22(e)(6)(i).

particular attributes of each relevant product, portfolio, and market. As discussed above, the proposed rule change would improve the design of NSCC's Gap Risk Charge methodology by more accurately isolating and addressing the risk exposures of underlying ETF holdings, including security exposures embedded in single-stock ETFs and those ETFs currently exempted from the Gap Risk Charge. The proposed rule change also would enhance the Bid-Ask Spread Charge by improving the granularity of the basis point charges used within the ETP risk group to account for different asset classes and market capitalizations of ETPs, resulting in more accurate and representative Bid-Ask Spread charges as applied to different types of ETPs. In addition, the proposed rule change would describe the use of the Fat Tail Adjustment Factor in NSCC's parametric VaR calculations and clarify that Fat Tail Adjustment Factor parameters may be calibrated from time to time to ensure that NSCC is appropriately addressing tail risk for various Member portfolio types. As a result, NSCC believes that the proposed changes are reasonably designed to allow NSCC to consider, and produce margin levels commensurate with, the risks and particular attributes of relevant products, portfolios, and markets in accordance with Rule 17ad-22(e)(6)(i) under the Act.

Rule 17ad-22(e)(4)(i)<sup>27</sup> under the Act requires that each covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes, including by maintaining sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence. As described above, the proposed rule change is generally designed to enhance NSCC's Clearing Fund calculations by (i) improving the design of NSCC's Gap Risk Charge to more accurately isolate and address

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<sup>27</sup> 17 CFR 240.17ad-22(e)(4)(i).

the risk exposures of underlying ETF holdings; (ii) improving the design of the Bid-Ask Spread Charge to include more granularity in the basis point charges used within the ETP risk group to account for different asset classes and market capitalizations of ETPs; and (iii) providing additional clarity regarding the Fat Tail Adjustment Factor parameter, which may be calibrated from time to time to ensure that NSCC is appropriately addressing tail risk for various Member portfolio types. NSCC believes that these changes are reasonably designed to enable NSCC to better identify, measure, monitor, and manage its credit exposures to participants and to maintain sufficient resources to cover those credit exposures fully with a high degree of confidence, consistent with the requirements of Rule 17ad-22(e)(4)(i) under the Act.

For the reasons set forth above, NSCC believes the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act<sup>28</sup> and Rules 17ad-22(e)(4) and (6) thereunder.<sup>29</sup>

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

Section 17A(b)(3)(I) of the Act<sup>30</sup> requires that the rules of a clearing agency do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. NSCC believes that the proposed changes could have an impact on competition because they may result in larger Clearing Fund charges for Members, specifically with respect to the Gap Risk Charge and Bid-Ask Spread Charge components of the Clearing Fund. However, NSCC believes any impact or burden on competition that may result from the proposed rule change would be necessary and appropriate in furtherance of the purposes of the Act, for the reasons described below.

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<sup>28</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>29</sup> 17 CFR 240.17ad-22(e)(4) and (6).

<sup>30</sup> 15 U.S.C. 78q-1(b)(3)(I).

NSCC believes the proposed rule change is necessary and appropriate to improve the design of its current Gap Risk Charge methodology, which does not fully account for idiosyncratic risks presented by the underlying holdings of ETFs and broadly exempts diversified ETFs from the charge entirely without considering potential idiosyncratic risks. The proposed changes would enhance the Gap Risk Charge to address security exposures embedded in single-stock ETFs and those ETFs currently exempted from the Gap Risk Charge, which may contribute to the concentration risk presented by such ETFs in a Member's portfolio. NSCC also believes the proposed rule change is necessary and appropriate to enhance its Bid-Ask Spread Charge methodology by improving the granularity of the basis point charges used within the ETP risk group to account for risks presented by different asset classes and market capitalizations of ETPs. NSCC believes that the proposed changes would result in more accurate and appropriate Clearing Fund requirements that address certain risks presented by ETFs and ETPs in its Members' cleared portfolios.

NSCC believes that it has designed the proposed changes in an appropriate way in order to meet compliance with its obligations under the Act. Specifically, the proposal would improve the risk-based margining methodology that NSCC employs to set margin requirements and better limit NSCC's credit exposures to its Members. As discussed above, NSCC uses the margin and Clearing Fund it collects to mitigate potential losses to NSCC (and through loss allocation, to its Members) associated with liquidating a defaulting Member's portfolio and to continue to effect the prompt and accurate clearance and settlement of securities transactions in the event of a Member default. Therefore, as described above, NSCC believes the proposed changes are necessary and

appropriate in furtherance of NSCC's obligations under the Act, specifically Section 17A(b)(3)(F) of the Act<sup>31</sup> and Rules 17ad-22(e)(4) and (6) thereunder.<sup>32</sup>

(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, 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 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 not to respond to any comments received.

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

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<sup>31</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>32</sup> 17 CFR 240.17ad-22(e)(4) and (6).

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  
(<https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking>);  
or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NSCC-2026-008 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-2026-008. 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 (<https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking>). 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-2026-008 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>33</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>33</sup> 17 CFR 200.30-3(a)(12).