

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-96624; File No. SR-NSCC-2022-802)

January 10, 2023

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Extension of Review Period of Advance Notice Related to Certain Enhancements to the Gap Risk Measure and the VaR Charge

On December 2, 2022, the National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) advance notice SR-NSCC-2022-802 (“Advance Notice”) pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, entitled Payment, Clearing and Settlement Supervision Act of 2010 (“Clearing Supervision Act”)<sup>1</sup> and Rule 19b-4(n)(1)(i)<sup>2</sup> under the Securities Exchange Act of 1934 (“Exchange Act”)<sup>3</sup> to amend NSCC’s Rules and Procedures to enhance the calculation of the volatility component of the Clearing Fund formula that utilizes a parametric Value-at-Risk (“VaR”) model (“VaR Charge”), specifically with respect to the Gap Risk Measure thereof.<sup>4</sup> The Advance Notice was published for public comment in the Federal Register on December 21,

---

<sup>1</sup> 12 U.S.C. 5465(e)(1).

<sup>2</sup> 17 CFR 240.19b-4(n)(1)(i).

<sup>3</sup> 15 U.S.C. 78a et seq.

<sup>4</sup> See Notice of Filing, infra note 5.

2022.<sup>5</sup> The Commission received a comment regarding the changes proposed in the Advance Notice.<sup>6</sup>

Section 806(e)(1)(G) of the Clearing Supervision Act provides that NSCC may implement the changes if it has not received an objection to the proposed changes within 60 days of the later of (i) the date that the Commission receives the Advance Notice or (ii) the date that any additional information requested by the Commission is received,<sup>7</sup> unless extended as described below.

Pursuant to Section 806(e)(1)(H) of the Clearing Supervision Act, the Commission may extend the review period of an advance notice for an additional 60 days, if the changes proposed in the advance notice raise novel or complex issues, subject to the Commission providing the clearing agency with prompt written notice of the

---

<sup>5</sup> Securities Exchange Act Release No. 96513 (Dec. 15, 2022), 87 FR 78175 (Dec. 21, 2022) (File No. SR-NSCC-2022-802) (“Notice of Filing”). On December 2, 2022, NSCC also filed a related proposed rule change (SR-NSCC-2022-015) with the Commission pursuant to Section 19(b)(1) of the Exchange Act and Rule 19b-4 thereunder (“Proposed Rule Change”). 15 U.S.C. 78s(b)(1) and 17 CFR 240.19b-4, respectively. In the Proposed Rule Change, which was published in the Federal Register on December 21, 2022, NSCC seeks approval of proposed changes to its rules necessary to implement the Advance Notice. Securities Exchange Act Release No. 96511 (Dec. 15, 2022), 87 FR 78157 (Dec. 21, 2022) (File No. SR-NSCC-2022-015). The comment period for the related Proposed Rule Change filing will close on January 11, 2023.

<sup>6</sup> <https://www.sec.gov/comments/sr-nsc-2022-802/srnsc2022802.htm>. Since the proposal contained in the Advance Notice was also filed as a proposed rule change, all public comments received on the proposal are considered regardless of whether the comments are submitted on the Proposed Rule Change or the Advance Notice. Comments on the Proposed Rule Change are available at <https://www.sec.gov/comments/sr-nsc-2022-015/srnsc2022015.htm>.

<sup>7</sup> 12 U.S.C. 5465(e)(1)(G).

extension.<sup>8</sup>

Here, as the Commission has not requested any additional information, the date that is 60 days after NSCC filed the Advance Notice with the Commission is January 31, 2023. However, the Commission finds the issues raised by the Advance Notice complex because the proposal would revise the methodology by which NSCC determines the appropriate margin to capture the gap risk posed by a member's portfolio, including by making the gap risk measure additive as opposed to substitutive, expanding its application to the two largest positions instead of only the largest position, amending the scope of products subject to the gap risk measure, and changing the haircuts and methodology for determining the applicable haircuts.<sup>9</sup> Therefore, the Commission finds it appropriate to extend the review period of the Advance Notice for an additional 60 days under Section 806(e)(1)(H) of the Clearing Supervision Act.<sup>10</sup>

Accordingly, the Commission, pursuant to Section 806(e)(1)(H) of the Clearing Supervision Act,<sup>11</sup> extends the review period for an additional 60 days so that the

---

<sup>8</sup> 12 U.S.C. 5465(e)(1)(H).

<sup>9</sup> See Notice of Filing, infra note 5.

<sup>10</sup> 12 U.S.C. 5465(e)(1)(H).

<sup>11</sup> Id.

Commission shall have until April 1, 2023 to issue an objection or non-objection to advance notice SR-NSCC-2022-802.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

Sherry R. Haywood,  
Assistant Secretary.

---

<sup>12</sup> 17 CFR 200.30-3(a)(94).