Electronic Comments

- Use the Commission's internet comment form (*http://www.sec.gov/rules/sro.shtml*); or
- Send an email to *rule-comments@sec.gov.* Please include File Number SR–NYSE–2022–38 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090.

All submissions should refer to File Number SR–NYSE–2022–38. 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 (*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 the Exchange. 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–NYSE–2022–38, and should be submitted on or before September 22, 2022.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[13]

J. Matthew DeLesDernier,

Deputy Secretary.

[FR Doc. 2022–18857 Filed 8–31–22; 8:45 am]

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[13] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–95615; File No. SR–DTC–2021–017]

Self-Regulatory Organizations; The Depository Trust Company; Order Approving of Proposed Rule Change To Enhance Capital Requirements and Make Other Changes

August 26, 2022.

I. Introduction

On December 13, 2021, The Depository Trust Company Corporation (''DTC'') filed with the Securities and Exchange Commission (''Commission'') proposed rule change SR–DTCC–2021–017 (the ''Proposed Rule Change'') pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder.[2] The Proposed Rule Change was published for comment in the **Federal Register** on December 29, 2021.[3] On January 26, 2022, pursuant to Section 19(b)(2) of the Act,[4] the Commission designated a longer period within which to approve, disapprove, or institute proceedings to determine whether to approve or disapprove the Proposed Rule Change.[5] On March 23, 2022, the Commission instituted proceedings to determine whether to approve or disapprove the Proposed Rule Change.[6] On June 23, 2022, the Commission designated a longer period for Commission action on the proceedings to determine whether to approve or disapprove the Proposed Rule Change.[7] The Commission has received comments regarding the substance of the Proposed Rule Change.[8] For the reasons discussed below, the Commission is approving the Proposed Rule Change.[9]

II. Description of the Proposed Rule Change

DTC proposes to amend its Rules to (A) increase the capital requirements applicable to its participants,[10] (B) revise its credit risk monitoring system, and (C) make certain other clarifying, technical, and supplementary changes to implement changes (A) and (B).

A. Changes to DTC's Capital Requirements for Participants

i. U.S. Participants

U.S. Broker-Dealer Participants: DTC proposes to increase its minimum excess net capital requirements for its U.S. broker-dealer participants. Currently, U.S. broker-dealer participants are required to maintain a minimum amount of not less than $500,000 in excess net capital over the greater of (i) the minimum capital requirement imposed on it pursuant to Exchange Act Rule 15c3–1,[11] or (ii) such higher minimum capital requirement imposed by the registered broker-dealer's designated examining authority.[12] DTC proposes to increase the minimum excess net capital (''Excess Net Capital'') [13] requirements U.S. broker-dealer participants to $1 million.

U.S. Bank and Trust Company Participants: For members who are U.S. banks or U.S. trust companies who are also banks,[14] DTC proposes to (1) change the capital measure from equity capital to common equity tier 1 capital

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

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 93854 (December 22, 2021), 86 FR 74122 (December 29, 2021) (File No. SR–DTC–2021–017) (''Notice of Filing'').

[4] 15 U.S.C. 78s(b)(2).

[5] Securities Exchange Act Release No. 94067 (January 26, 2022), 87 FR 5548 (February 1, 2022) (SR–DTC–2021–017).

[6] Securities Exchange Act Release No. 94495 (March 23, 2022), 87 FR 18451 (March 30, 2022) (SR–DTC–2021–017).

[7] Securities Exchange Act Release No. 95143 (June 23, 2022), 87 FR 38786 (June 29, 2022) (SR–DTC–2021–017).

[8] The Commission received one comment letter that does not bear on the Proposed Rule Change. The comment is available at *https://www.sec.gov/comments/sr-dtc-2021-017/srdtc2021017.htm.* Since the proposed changes contained in this Proposed Rule Change are similar to changes proposed simultaneously by DTC's affiliates, National Securities Clearing Corporation and Fixed Income Clearing Corporation, the Commission has considered all public comments received on the proposals regardless of whether the comments are submitted to the Proposed Rule Change or to the proposals filed by DTC's affiliates.

[9] Capitalized terms not defined herein are defined in Rules, By-Laws and Organization Certificate (''Rules''), *available at https://www.dtcc.com/~/media/Files/Downloads/legal/rules/dtc_rules.pdf.*

[10] DTC states that these capital requirements have not been updated in over 20 years. *See* Notice of Filing, *supra* note 3, at 74122.

[11] 17 CFR 240.15c3–1.

[12] *See* Section 1(b) of the Policy Statements on the Admission of Participants and Pledgees (the ''Policy Statement'') of the Rules, *supra* note 9. *See also,* Section 1(h)(ii) of Rule 3 of the Rules, *supra* note 9.

[13] DTC proposes to define ''Excess Net Capital'' as the net capital greater than the minimum required, as calculated in accordance with the broker-dealer's regulatory and/or statutory requirements.

[14] For U.S. trust companies who are not banks, DTC is not changing its existing capital requirement of $2 million. DTC treats U.S. trust companies that are banks and non-banks differently because they present different risks based on the attendant risks of their business activities, with trust companies engaging in banking activities (*e.g.,* receiving deposits and making loans) being subject to greater risks than trust companies that limit their activities to trust activities (*e.g.,* acting as a trustee, other fiduciary or transfer agent/registrar). *See* Notice of Filing, *supra* note 3, at 74125.

(''CET1 Capital''),[15] (2) raise the minimum capital requirements from $2 million in equity capital to $15 million in CET1 Capital, and (3) require such members to be well capitalized (''Well Capitalized'').[16] The proposal would align DTC's capital requirements with banking regulators' changes to regulatory capital requirements over the past several years, which have standardized and harmonized the calculation and measurement of bank capital and leverage throughout the world.[17] Consistent with these changes by banking regulators, DTC states that it believes the appropriate capital measure for participants that are U.S. banks and trust companies should be CET1 Capital and that DTC's capital requirements for participants should be enhanced to be consistent with these increased regulatory capital requirements.[18] DTC further states that it believes these enhanced capital requirements better measure the capital available to participants to absorb losses arising out of their settlement activities at DTC or otherwise and would help DTC more effectively manage and mitigate the credit risks posed by its participants while providing fair and open access to participation at DTC.[19]

Additionally, DTC states that requiring U.S. banks and trust companies that are banks to be Well Capitalized ensures that participants are well capitalized while also allowing CET1 Capital to be relative to either the risk-weighted assets or average total assets of the bank or trust company.[20] DTC further states that expressly tying the definition of Well Capitalized to the FDIC's definition of ''well capitalized'' will ensure that the proposed requirement keeps pace with future changes to regulatory capital requirements.[21]

ii. Non-U.S. Participants

Currently, a participant who is a non-U.S. broker-dealer or bank is subject to a multiplier that requires such participant to maintain capital of either 1.5, 5, or 7 times its otherwise-applicable capital requirements.[22]

Non-U.S. Broker-Dealer Participants: DTC proposes to require non-U.S. broker-dealer participants to maintain a minimum of $25 million in total equity capital. DTC states the multiplier was designed to account for the less transparent nature of accounting standards other than U.S. GAAP.[23] However, given that accounting standards have converged over the years, DTC no longer believes the multiplier is necessary and its retirement would be a welcomed simplification for both DTC and its participants.[24]

Additionally, DTC states its approach to managing credit risk is multifaceted, which includes requirements of operational capability in addition to financial responsibility.[25] Based on its experience, DTC believes the flat equity capital requirement is warranted for non-U.S. broker-dealers based on the added jurisdictional and regulatory risks, while still allowing for fair and open access to DTC participation.[26]

Non-U.S. Bank Participants: Like U.S. bank members, DTC proposes that non-U.S. bank participants maintain at least $15 million in CET1 Capital. DTC proposes additional requirements for non-U.S. bank participants as follows: (1) comply with the greater of (i) the participant's home country minimum capital and ratio requirements, or (ii) the minimum capital and ratio standards promulgated by the Basel Committee on Banking Supervision,[27] (2) provide an attestation for itself, its parent bank, and its parent bank holding company detailing the minimum capital requirements and capital ratios required by their home country regulator,[28] and (3) notify DTC of (i) any breach of its minimum capital and ratio requirements within two business days, or (ii) any changes to its requirements within 15 calendar days.

iii. Other Types of Participants

Currently, an entity applying to be a participant other than a registered broker-dealer, bank or trust company is required to satisfy such minimum standards of financial responsibility as determined by DTC. DTC proposes to adopt more specific standards for different participant types.

Central Securities Depository Participants: DTC proposes to establish specific minimum capital requirements for U.S. [29] or non-U.S. central securities depository participants of at least $5 million in equity capital. DTC proposes that any clearing corporation would be deemed to be a CSD for the purposes of determining such applicant or participant's minimum financial requirements. DTC states it believes creating a standard capital requirement for CSD participants is appropriate due to the systemic importance of these participants and the need to hold these participants to a consistent, high standard to ensure that they have sufficient capital to fulfill their systemically important role.[30]

Securities Exchange Participants: DTC proposes to establish specific minimum capital requirements for participants that are U.S. national securities exchanges or non-U.S. securities exchanges or multilateral trading facilities of at least $100 million in equity capital. DTC states it believes creating a standard capital requirement for securities exchange participants is appropriate due to the systemic importance of these participants and the need to hold these participants to a consistent, high standard to ensure that they have sufficient capital to fulfill their systemically important role.[31]

U.S. Settling Bank Participants: DTC proposes to require that a settling bank participant or applicant that, in accordance with such entity's regulatory and/or statutory requirements, calculates a Tier 1 RBC Ratio must have a Tier 1 RBC Ratio [32] at all times equal

[15] DTC proposes to define ''CET1 Capital'' as an entity's common equity tier 1 capital, calculated in accordance with such entity's regulatory and/or statutory requirements.

[16] DTC proposes to incorporate the definition of ''Well Capitalized'' as that term is defined by the Federal Deposit Insurance Corporation in its capital adequacy rules and regulations. *See* 12 CFR 324.403(b)(1).

[17] *See* Notice of Filing, *supra* note 3, at 74124.

[18] *See id.*

[19] *See id.,* at 74128. DTC also provided, in the confidential information submitted as part of this Proposed Rule Change, an analysis of U.S. banks' capital to determine the appropriate level of capital requirement.

[20] *See id.,* at 74125.

[21] *See id.*

[22] The applicable multiplier is based on which generally accepted accounting standards (''GAAP'') the non-U.S. participant uses to prepare its financial statements, when not prepared in accordance with U.S. GAAP. *See* Section 2 of the Policy Statement of the Rules, *supra* note 9.

[23] *See* Notice of Filing, *supra* note 3, at 74126.

[24] *See id.*

[25] *See id.,* at 74128.

[26] *See id.*

[27] *See* Basel Committee on Banking Supervision, The Basel Framework, *available at https://www.bis.org/basel_framework/index.htm?export=pdf.* DTC states that the proposal will align DTC's capital requirements with banking regulators' changes to regulatory capital requirements over the past several years, which have standardized and harmonized the calculation and measurement of bank capital and leverage throughout the world. *See* Notice of Filing, *supra* note 3, at 74124. DTC proposes tying its minimum requirement to the requirements promulgated by the Basel Committee on Banking Supervision to ensure that its non-U.S. bank participants meet minimum international standards where their home country requirements may be more lenient. *See id.,* at 74129.

[28] DTC also proposes to require non-U.S. bank participants to periodically provide new attestations on at least an annual basis and upon request by DTC.

[29] DTC is the central securities depository for the United States. *See* U.S. Department of the Treasury, Designations, Financial Market Utility Designations, *available at https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/fsoc/designations.*

[30] *See* Notice of Filing, *supra* note 3, at 74125.

[31] *See id.*

[32] DTC proposes to define ''Tier 1 RBC Ratio'' as the ratio of an entity's tier 1 capital to its total risk-

to or greater than the Tier 1 RBC Ratio that would be required for such settling bank or applicant to be well capitalized.[33]

All Other Types of Participants: For all other U.S. or non-U.S. participants, DTC proposes that the participant must maintain compliance with its home country's minimum financial requirements. DTC also proposes that it may, based on the information provided or concerning the participant, assign an additional minimum financial requirement to the participant, which it will determine based on how closely it resembles another participation type and its risk profile.[34]

iv. Implementation Timeframe

DTC proposes to implement the proposed changes to its minimum participation capital requirements one year after the Commission's approval of the Proposed Rule Change.[35] During the one-year period, DTC would periodically provide participants with an estimate of their capital requirements based on the proposal.[36]

B. Changes to DTC's Watch List and Enhanced Surveillance List

DTC currently uses two credit risk monitoring systems: a Watch List and a separate list of participants subject to enhanced surveillance (''enhanced surveillance list''). The current Watch List includes participants that have either (1) receive a heightened credit risk rating based on DTC's Credit Risk Rating Matrix (''CRRM''),[37] or (2) been deemed to pose a heightened credit risk to DTC or other participants.[38] DTC also maintains a separate enhanced surveillance list, which includes participants who are subject to a more thorough monitoring of its financial condition and operational capability based on DTC's determination that the participant poses heightened credit risks, which may include participants already on or soon to be on the Watch List.[39] Participants on the enhanced surveillance list are reported to DTC's management committees and are regularly reviewed by DTC senior management.[40] Participants on the Watch List or the enhanced surveillance list are subject to more thorough monitoring by DTC of its financial condition and operational capability and may be required to make more frequent financial disclosures to DTC.[41]

DTC believes that maintaining two separate lists has confused various DTC stakeholders,[42] so DTC proposes to remove references to an enhanced surveillance list from its Rules.[43] DTC also proposes to remove participants with a CRRM rating of five from being automatically included on the Watch List. DTC states that participants with a CRRM rating of five represent the largest single CRRM rating category, but DTC does not believe all such participants present heightened credit concerns.[44] DTC would still retain the authority to place a participant with a CRRM rating of five on the Watch List or otherwise if DTC deems the participant poses a heightened risk to DTC. DTC believes that these procedures would allow it to appropriately monitor the credit risks presented to it by its participants and that the enhanced surveillance list is not necessary because participants on the enhanced surveillance list are subject to the same potential consequences as participants placed on the Watch List.[45]

C. Other Changes

DTC proposes, without substantive effect, to improve the readability and accessibility of the Policy Statement by (1) adding appropriate headings and sub-headings and renumbering sections as appropriate, (2) deleting undefined terms and replacing them with appropriate defined terms, including replacing references to ''foreign entities'' with references to ''non-U.S. entities'' and (3) fixing typographical and other errors, in each case throughout the Policy Statement.

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act[46] provides that the Commission shall approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and rules and regulations thereunder applicable to such organization. After careful review of the Proposed Rule Change, the Commission finds that the Proposed Rule Change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to DTC. In particular, the Commission finds that the Proposed Rule Change is consistent with Sections 17A(b)(3)(F) of the Act,[47] and Rules 17Ad–22(e)(4) and (e)(18) thereunder,[48] for the reasons described below.

A. Consistency With Section 17A(b)(3)(F) of the Act

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, 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 protect investors and the public interest; and are not designed to permit unfair discrimination in the admission of participants or among participants in the use of the clearing agency.[49] Based on its review of the record,[50] the Commission finds that the proposal is consistent with Section 17A(b)(3)(F) of the Act.

weighted assets, calculated in accordance with such entity's regulatory and/or statutory requirements.

[33] *See supra* note 16.

[34] Under the proposal, DTC would be obligated to promptly notify and discuss any additional minimum financial requirement with the applicant or participant. In the event that DTC ultimately were to deny participation to an applicant, then Section 19(d) of the Exchange Act would apply, allowing the opportunity for Commission review. *See* 15 U.S.C. 78s(d).

[35] The changes to DTC's Watch List and enhanced surveillance list discussed in Section II.B below will not be subject to the one year delayed implementation.

[36] *See* Notice of Filing, *supra* note 3, at 74127.

[37] DTC participants generally are subject to the CRRM, in which each participant is rated on a scale of one to seven with seven reflecting the highest credit risk posed to DTC. Participants who receive a CRRM rating of five to seven are currently, automatically placed on the Watch List. *See* Rule 1 and Section 10(b) of Rule 2 of the Rules, *supra* note 9.

[38] *See* Rule 1 and Section 10 of Rule 2 of the Rules, *supra* note 9. In making its determination, DTC may consider any information DTC obtains through continuously monitoring its participants for compliance with its participation requirements. *See* Section 10(d) of Rule 2 of the Rules, *supra* note 9.

[39] *See* Section 10(c) of Rule 2 of the Rules, *supra* note 9.

[40] *See* Section 10(e) of Rule 2 of the Rules, *supra* note 9.

[41] *See id.*

[42] *See* Notice of Filing, *supra* note 3, at 74127.

[43] For any participants currently on the enhanced surveillance list that are not also on the Watch List, DTC will add these participants to the Watch List. *See id.* DTC also proposes to clarify in its Rules that participants on the Watch List are reported to DTC's management committees and regularly reviewed by DTC's senior management.

[44] *See id.* DTC states that the majority of participants with a CRRM rating of 5 are either rated ''investment grade'' by external rating agencies or, in the absence of external ratings, DTC believes are equivalent to investment grade, as many of these participants are primary dealers and large foreign banks. *See id.*

[45] *See id.* at 74124, 74127.

[46] 15 U.S.C. 78s(b)(2)(C).

[47] 15 U.S.C. 78q–1(b)(3)(F).

[48] 17 CFR 240.17Ad–22(e)(4) and (e)(18).

[49] 15 U.S.C. 78q–1(b)(3)(F).

[50] As part of the Proposed Rule Change, DTC filed Exhibit 3—Supporting Information, which provided analysis on the rationale for and impact of the proposal. Pursuant to 17 CFR 240.24b-2, DTC requested confidential treatment of Exhibit 3. The confidential information provided more granular support for this analysis, and it includes a detailed analysis of the impact of each proposed minimum capital requirement on participants, by category, as compared to their current capital levels.

i. Prompt and Accurate Clearance and Settlement and Safeguarding of Securities and Funds

The Commission believes that the proposal is designed to promote the prompt and accurate clearance and settlement of securities transactions, and assure the safeguarding of securities and funds which are in the custody or control of DTC. The Commission believes that participant standards at covered clearing agencies should seek to limit the potential for participant defaults and, as a result, losses to non-defaulting participants in the event of a participant default. As the Commission stated when adopting the Covered Clearing Agency Standards, using risk-based criteria helps to protect investors by limiting the participants of a covered clearing agency to those for which the covered clearing agency has assessed the likelihood of default.[51] More specifically, the Commission believes that participant standards related to minimum capital requirements serve as one tool in limiting this default risk by ensuring that participants have sufficient capital to meet its obligations and to absorb losses.

Covered clearing agencies employ participant standards as the first line of defense in their risk management, ensuring that its participants, among other things, hold sufficient financial resources to meet the obligations that they may incur as a participant of the covered clearing agency. These requirements are separate from the collection of collateral (*i.e.,* margin), which addresses the risk of the cleared transactions. Instead, capital requirements seek to ensure that DTC has sufficiently addressed the participant's counterparty credit risk, that is, that the participant has sufficient financial resources both to meet its collateral requirements or potential loss allocation in the event of a participant default; these requirements are not a substitute for margin.

The Commission believes that DTC's proposal to increase its minimum capital requirements for its participants, as described above in Section II.A, is designed to strengthen its risk management practices. For most participants, the changes would increase the minimum capital requirements and ensure that certain participants, such as U.S. and foreign bank participants, would continue to hold sufficient financial resources consistent with those requirements and their applicable regulatory obligations, although they would not actually increase the amounts held as the participants generally meet the new requirements already based on their current capital.

Through these changes, DTC should be able to ensure participants have sufficient capital to meet its obligations and to absorb losses, which could further limit the potential for a participant default. In turn, limiting the potential for a participant default should promote the prompt and accurate clearance and settlement of securities transactions. In addition, DTC's proposed minimum capital requirements would thereby further limit potential losses to non-defaulting participants in the event of a participant default, which helps assure the safeguarding of securities and funds which are in the custody or control of DTC.

The Commission also considered other factors as support for its determination that these proposed minimum capital requirements are reasonable. The Commission understands that DTC has not revised these requirements in over 20 years. During that time, the Commission recognizes that there have been significant changes to the financial markets during that timeframe, such as new risks arising from cyber threats and online trading technologies, and heightened operational risk due to a more sophisticated and complex business environment. In addition, the Commission understands that DTC considered several factors, including inflation, historical development of the proposal, and the capital requirements of other financial market infrastructures.[52] Finally, based on its supervisory experience, the Commission understands that trading volume, in terms of both number of transactions and notional value, have increased significantly during that time period.[53]

The Commission believes that these factors demonstrate the reasonableness of the proposed minimum capital requirements, as they would allow DTC to ensure that its participants have capital sufficient to address the risks posed by their activities in addition to the collateral for particular transactions. Further, the fact that the proposed requirements are consistent with those of other financial market infrastructures indicates that such requirements should address the obligations attendant to participating in a financial market infrastructure like DTC, while considering DTC's fully collateralized settlement model.

Through these changes, DTC should be able to ensure participants have sufficient capital to meet their obligations and to absorb losses, which could further limit the potential for a participant default. In turn, limiting the potential for a participant default should promote the prompt and accurate clearance and settlement of securities transactions. In addition, DTC's proposed minimum capital requirements would thereby further limit potential losses to non-defaulting participants in the event of a participant default,[54] which helps assure the safeguarding of securities and funds which are in the custody or control of DTC.

Additionally, the Commission believes DTC's proposal to streamline its credit risk monitoring systems into one Watch List, as described above in Section II.B., would eliminate existing confusion and should enhance DTC's efficiency in monitoring its members' credit risk by focusing on only those participants that present heightened credit risk. Similarly, the Commission believes DTC's proposal to make clarifying and transparency changes, as described above in Section II.C., would remove ambiguity and ensure DTC's Rules are clear and accurate, which would help ensure DTC's participants understand its obligations to DTC and DTC's settlement activities. Therefore, the Commission believes these changes should promote the prompt and accurate clearance and settlement of securities transactions.

ii. Protection of Investors and the Public Interest

The Commission believes that DTC's proposal to increase the capital requirements applicable to its participants would protect investors and the public interest.

[51] *See* Securities Exchange Act Release No. 78961 (September 28, 2016), 81 FR 70786, 70839 (October 13, 2016) (S7–03–14) (''Covered Clearing Agency Standards'').

[52] *See supra* note 43.

[53] *See, e.g.,* DTCC Annual Reports, *available at https://www.dtcc.com/about/annual-report,* and CPMI–IOSCO Quantitative Disclosures for NSCC, section 23.1 (setting forth daily average volumes by asset class and average notional value), *available at https://www.dtcc.com/legal/policy-and-compliance.*

[54] Under DTC's rules, when a participant defaults, DTC may allocate losses to non-defaulting participants in the event that the defaulting participant's own margin and other resources at DTC, as well as DTC's corporate contribution, are not sufficient to cover the loss. *See* Section 4 of Rule 4 of DTC's Rules, *supra* note 9. If members hold capital sufficient to allow them to meet their obligations to NSCC, such losses are less likely to occur.

As discussed above in Section III.A.1, the Commission believes the proposal is designed to strengthen DTC's risk management practices. Because a defaulting member could place stresses on DTC with respect to DTC's ability to meet its settlement obligations upon which the broader financial system relies, it is important that DTC has strong participant requirements to ensure that its participants are able to meet their obligations. By reducing the risk of a participant default and any subsequent allocation of losses, the proposal should help to protect investors and the public interest by helping to ensure that investors' securities transactions are settled promptly and accurately and to assure the safeguarding of securities and funds which are in DTC's custody or control.

For the reasons discussed in this Sections III.A., the Commission believes that the Proposed Rule Change is consistent with the requirements of Section 17A(b)(3)(F) of the Act.[55]

B. Consistency With Rule 17Ad–22(e)(4)

Rule 17Ad–22(e)(4)(i) under the Act requires that a 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.[56]

Increasing participant capital requirements, as described above in Section II.A., would help ensure that participants maintain sufficient capital to meet their obligations to DTC, including potential future obligations required to fund its settlement activity with DTC or to absorb losses allocated to it. By ensuring participants' ability to meet their financial obligations to DTC, the proposal, in turn, will help ensure DTC continues to maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence.

Additionally, the proposal to revise the Watch List, as described above in Section II.B, could help DTC better allocate its resources for monitoring its credit exposures to participants, which, in turn, could help DTC more effectively manage and mitigate its credit exposures to its participants. Therefore, the Commission finds the Proposed Rule Change is consistent with Rule 17Ad–22(e)(4)(i) under the Act.

C. Consistency With Rule 17Ad–22(e)(18)

Rule 17Ad–22(e)(18) under the Act requires that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to establish objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access by direct and, where relevant, indirect participants and other financial market utilities, require participants to have sufficient financial resources and robust operational capacity to meet obligations arising from participation in the clearing agency, and monitor compliance with such participation requirements on an ongoing basis.[57]

As described above in Section II.A., the proposal will increase DTC's minimum capital requirements for its participants. As it relates to U.S. and non-U.S. broker-dealer participants, the proposal will impose a flat excess net capital or equity capital requirement. Similarly, the proposal will establish specific minimum capital requirements for securities exchanges, central securities depositories, and settling banks based on analysis of the risk profiles of these entities and their importance to the functioning of the securities markets.

For both U.S. and non-U.S. banks and trust companies that are banks, the proposal will revise how net capital is defined to incorporate a measurement used by banking regulators, and impose additional financial requirements on non-U.S. banks and trust companies who are banks tied to home country regulatory requirements and international standards. The proposal will also establish a category for all other participants, which will impose minimum financial requirements tied to that entity's regulatory requirements, which DTC may increase based on how closely it resembles another participant category and its risk-profile.

First, the proposal to increase minimum capital requirements to DTC's participants will help to ensure each participant has and maintains sufficient financial resources to meet obligations arising from its participation in DTC. Second, the proposal will further establish objective, risk-based, and publicly disclosed criteria for setting the amounts of DTC's increased capital requirements for its participants. The proposed changes will apply to all DTC participants and set forth in DTC's public-facing Rules.[58]

Based on its review of the record, the Commission understands that DTC considered several additional risks faced by its participants, both qualitative and quantitative, in determining its proposed capital requirements, which the Commission believes demonstrate the reasonableness of the proposed minimum capital requirements, as discussed above in Section III.A.i.[59] Regarding U.S. and non-U.S. banks and trust companies, the proposal will set the minimum capital requirements based on standards and measures used by banking regulators. Regarding non-U.S. broker-dealers and for all other types of participants, the proposal would eliminate conditional and discretionary minimum capital requirements in favor of establishing objective minimum capital requirements commensurate with the risks commensurate with the risks these participants pose to DTC. Therefore, the Commission concludes the proposal is reasonably designed to establish objective, risk-based, and publicly disclosed criteria for participation.

For the reasons described above, the Commission finds that the Proposed Rule Change is consistent with Rule 17Ad–22(e)(18) under the Act.[60]

IV. Conclusion

On the basis of the foregoing, the Commission finds that the Proposed Rule Change is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act[61] and the rules and regulations promulgated thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act[62] that proposed rule change SR–DTC–2021–017, be, and hereby is, *approved.*[63]

[55] 15 U.S.C. 78q–1(b)(3)(F).

[56] 17 CFR 240.17Ad–22(e)(4)(i).

[57] 17 CFR 240.17Ad–22(e)(18).

[58] The Commission also understands that DTC considered several additional factors, including inflation, historical development of the proposal, and the capital requirements of other financial market infrastructures. *See* Notice of Filing, *supra* note 3, at 74123; *and supra* note 37. The Commission believes that these factors demonstrate the reasonableness of the proposed minimum capital requirements, as discussed above in Section III.A.i.

[59] *See supra* text accompanying notes 59–60.

[60] 17 CFR 240.17Ad–22(e)(18).

[61] 15 U.S.C. 78q–1.

[62] 15 U.S.C. 78s(b)(2).

[63] In approving the Proposed Rule Change, the Commission considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[64]

J. Matthew DeLesDernier,

Deputy Secretary.

[FR Doc. 2022–18859 Filed 8–31–22; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 34689]

Notice of Applications for Deregistration Under Section 8(f) of the Investment Company Act of 1940

August 26, 2022.

AGENCY: Securities and Exchange Commission (''Commission'' or ''SEC'').

ACTION: Notice.

The following is a notice of applications for deregistration under section 8(f) of the Investment Company Act of 1940 for the month of August 2022. A copy of each application may be obtained via the Commission's website by searching for the applicable file number listed below, or for an applicant using the Company name search field, on the SEC's EDGAR system. The SEC's EDGAR system may be searched at *https://www.sec.gov/edgar/searchedgar/legacy/companysearch.html.* You may also call the SEC's Public Reference Room at (202) 551–8090. An order granting each application will be issued unless the SEC orders a hearing. Interested persons may request a hearing on any application by emailing the SEC's Secretary at *Secretarys-Office@sec.gov* and serving the relevant applicant with a copy of the request by email, if an email address is listed for the relevant applicant below, or personally or by mail, if a physical address is listed for the relevant applicant below. Hearing requests should be received by the SEC by 5:30 p.m. on September 20, 2022, and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Pursuant to Rule 0–5 under the Act, hearing requests should state the nature of the writer's interest, any facts bearing upon the desirability of a hearing on the matter, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission's Secretary at *Secretarys-Office@sec.gov*.

ADDRESSES: The Commission: *Secretarys-Office@sec.gov*.

FOR FURTHER INFORMATION CONTACT: Shawn Davis, Assistant Director, at (202) 551–6413 or Chief Counsel's Office at (202) 551–6821; SEC, Division of Investment Management, Chief Counsel's Office, 100 F Street NE, Washington, DC 20549–8010.

Advisorone Funds [File No. 811–08037]

Summary: Applicant seeks an order declaring that it has ceased to be an investment company. On January 20, 2022, and January 24, 2022, applicant made a liquidating distributions to its shareholders based on net asset value. Expenses of $41,531 incurred in connection with the liquidation were paid by the applicant and the applicant's investment adviser.

Filing Dates: The application was filed on March 22, 2022, and amended on June 28, 2022.

Applicant's Address: mike@orion.com.

Chartwell Funds [File No. 811–23244]

Summary: Applicant seeks an order declaring that it has ceased to be an investment company. The applicant has transferred its assets to Carillon Series Trust, and on June 30, 2022 made a final distribution to its shareholders based on net asset value. Expenses of $254,083 incurred in connection with the reorganization were paid by the applicant's investment adviser.

Filing Date: The application was filed on July 29, 2022.

Applicant's Address: chippler@stradley.com.

CNL Energy Total Return Fund [File No. 811–23034]

Summary: Applicant, a closed-end investment company, seeks an order declaring that it has ceased to be an investment company. Applicant has never made a public offering of its securities and does not propose to make a public offering or engage in business of any kind.

Filing Dates: The application was filed on January 4, 2022, and amended on April 29, 2022.

Applicant's Address: ken.young@dechert.com.

Dreyfus Liquid Assets, Inc. [File No. 811–02410]

Summary: Applicant seeks an order declaring that it has ceased to be an investment company. The applicant has transferred its assets to Dreyfus Money Market Fund, and on May 13, 2021 made a final distribution to its shareholders based on net asset value. Expenses of $269,545.01 incurred in connection with the reorganization were paid by the applicant's investment adviser.

Filing Dates: The application was filed on March 31, 2022, and amended on June 15, 2022.

Applicant's Address: Deirdre.Cunnane@bnymellon.com.

Fiduciary/Claymore Energy Infrastructure Fund [File No. 811–21652]

Summary: Applicant, a closed-end investment company, seeks an order declaring that it has ceased to be an investment company. The applicant has transferred its assets to Kaye Anderson Energy infrastructure Fund, Inc., and on March 7, 2022 made a final distribution to its shareholders based on net asset value. Expenses of $1,225,000 incurred in connection with the reorganization were paid by the applicant's investment adviser, the acquiring fund, and the acquiring fund's investment adviser.

Filing Dates: The application was filed on April 14, 2022, and amended on August 18, 2022.

Applicant's Address: Julien.bourgeois@dechert.com.

Hartford Schroders Opportunistic Income Fund [File No. 811–23457]

Summary: Applicant, a closed-end investment company, seeks an order declaring that it has ceased to be an investment company. On October 13, 2021, applicant made liquidating distributions to its shareholders based on net asset value. Expenses of $54,260 incurred in connection with the liquidation were paid by the applicant and the applicant's investment advisers.

Filing Date: The application was filed on July 15, 2022.

Applicant's Address: Alice.Pellegrino@hartfordfunds.com.

High Yield Municipal Income Portfolio [File No. 811–23150]

Summary: Applicant seeks an order declaring that it has ceased to be an investment company. Applicant has never made a public offering of its securities and does not propose to make a public offering or engage in business of any kind.

Filing Date: The application was filed on August 4, 2022.

Applicant's Address: jbeksha@eatonvance.com.

Mairs & Power Funds Trust [File No. 811–22563]

Summary: Applicant seeks an order declaring that it has ceased to be an investment company. The applicant has transferred its assets to Trust for Professional Managers, and on April 29, 2022 made a final distribution to its

[64] 17 CFR 200.30–3(a)(12).