

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–102919; File No. SR–NSCC–2025–007]

### Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change To Amend the Recovery and Wind-Down Plan To Satisfy the Requirements of Exchange Act Rule 17ad–26

April 23, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”)<sup>1</sup> and Rule 19b–4 thereunder,<sup>2</sup> notice is hereby given that on April 16, 2025, National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

The R&W Plan was adopted in August 2018, has been amended over time to reflect changes since its adoption,<sup>4</sup> and is maintained by NSCC for compliance with Rule 17ad–22(e)(3)(ii) under the Act.<sup>5</sup> Rule 17ad–22(e)(3)(ii) requires registered clearing agencies to, in short, establish, implement and maintain plans for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses. The Plan is intended to be used by the Board and NSCC management in the event NSCC

encounters scenarios that could potentially prevent it from being able to provide its critical services to the marketplace as a going concern. The R&W Plan is managed by the Office of Recovery & Resolution Planning (referred to in the Plan as the “R&R Team”) of NSCC’s parent company, the Depository Trust & Clearing Corporation (“DTCC”),<sup>6</sup> on behalf of NSCC, with review and oversight by the DTCC Executive Committee and the Board.

The R&W Plan is comprised of two primary sections: (i) the “Recovery Plan,” which sets out the tools and strategies to enable NSCC to recover, in the event it experiences losses that exceed its prefunded resources, and (ii) the “Wind-down Plan,” which describes the tools and strategies to be used to conduct an orderly wind-down of NSCC’s business in a manner designed to permit the continuation of NSCC’s critical services in the event that its recovery efforts are not successful.

The purpose of the rule proposal is to amend the R&W Plan to satisfy the requirements of new Exchange Act Rule 17ad–26<sup>7</sup> (the “RWP Rule” or “Rule 17ad–26”), which codifies the definitions of “Recovery”<sup>8</sup> and “Orderly wind-down,”<sup>9</sup> and requires that plans for the recovery and orderly wind-down of a covered clearing agency, such as NSCC, identify and

include certain specific elements.<sup>10</sup> In addition to incorporating the required elements into the Plan, the rule proposal would also make other conforming updates and technical revisions consistent with the RWP Rule, including incorporating key terms as defined in Rule 17ad–26. NSCC believes that by helping to ensure that the R&W Plan meets the requirements of Rule 17ad–26 and making necessary amendments and technical revisions that provide additional clarity, the proposed rule change will help NSCC ensure that, in times of extreme market stress, the Plan can ensure continuity of NSCC’s critical services and enable Members to maintain access to NSCC’s services through the transfer of its membership in the event NSCC defaults or the Wind-down Plan is ever triggered by the Board.

#### II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

##### (A) Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

###### Executive Summary

The R&W Plan was adopted in August 2018, has been amended over time to reflect changes since its adoption,<sup>11</sup> and is maintained by NSCC for compliance with Rule 17ad–22(e)(3)(ii) under the Act.<sup>12</sup> Rule 17ad–22(e)(3)(ii) requires registered clearing agencies to, in short, establish, implement and maintain plans for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses. The Plan is intended to be used by the Board and NSCC management in the event NSCC encounters scenarios that could

<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 are defined in the Rules and Procedures of NSCC (the “Rules”), available at [www.dtcc.com/~media/Files/Downloads/legal/rules/nscc\\_rules.pdf](http://www.dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.pdf), or in the Recovery & Wind-down Plan of NSCC (the “R&W Plan” or “Plan”).

<sup>4</sup> See Securities Exchange Act Release Nos. 83974 (Aug. 28, 2018), 83 FR 44988 (Sept. 4, 2018) (SR–NSCC–2017–017); 83955 (Aug. 27, 2018), 83 FR 44340 (Aug. 30, 2018) (SR–NSCC–2017–805); 98328 (Sept. 8, 2023), 88 FR 63180 (Sept. 14, 2023) (SR–NSCC–2023–008); 91428 (Mar. 29, 2021), 86 FR 17440 (Apr. 2, 2021) (SR–NSCC–2021–004); and 102757 (Apr. 1, 2025), 90 FR 15026 (Apr. 7, 2025) (SR–NSCC–2025–004).

<sup>5</sup> 17 CFR 240.17ad–22(e)(3)(ii). NSCC is a “covered clearing agency” as defined in Rule 17ad–22(a)(5) under the Act and must comply with paragraph (e) of Rule 17ad–22. In 2012, NSCC was designated a systemically important financial market utility (“SIFMU”) by the Financial Stability Oversight Council (“FSOC”).

<sup>6</sup> DTCC operates on a shared service model with respect to NSCC and its other affiliated clearing agencies, The Depository Trust Company (“DTC”) and Fixed Income Clearing Corporation (“FICC”). Most corporate functions are established and managed on an enterprise-wide basis pursuant to intercompany agreements under which it is generally DTCC that provides relevant services to NSCC, DTC and FICC (collectively, the “Clearing Agencies”).

<sup>7</sup> See Covered Clearing Agency Resilience and Recovery and Orderly Wind-down Plan, Exchange Act Release No. 101446 (October 25, 2024), 89 FR 91000 (November 18, 2024) (S7–10–23).

<sup>8</sup> *Id.* Pursuant to Rule 17ad–26, “Recovery” means the actions of a covered clearing agency, consistent with its rules, procedures, and other *ex ante* contractual arrangements, to address any uncovered loss, liquidity shortfall, or capital inadequacy, whether arising from participant default or other causes (such as business, operational, or other structural weaknesses), including actions to replenish any depleted prefunded financial resources and liquidity arrangements, as necessary to maintain the covered clearing agency’s viability as a going concern and to continue its provision of core services, as identified by the covered clearing agency pursuant to (a)(1) of this section.”

<sup>9</sup> *Id.* Pursuant to Rule 17ad–26, “Orderly wind-down” means the actions of a covered clearing agency to effect the permanent cessation, sale, or transfer of one or more of its core services, as identified by the covered clearing agency pursuant to paragraph (a)(1) of this section, in a manner that would not increase the risk of significant liquidity, credit, or operational problems spreading among financial institutions or markets and thereby threaten the stability of the U.S. financial system.”

<sup>10</sup> *Id.* Rule 17ad–26 identifies the elements that a covered clearing agency’s RWP must contain, including: (i) elements related to planning, including the identification and use of scenarios, triggers, tools, staffing and services providers, and (ii) testing and board approval of the plans.

<sup>11</sup> *Supra* note 4.

<sup>12</sup> *Supra* note 5.

potentially prevent it from being able to provide its critical services to the marketplace as a going concern. The R&W Plan is managed by the R&R Team of NSCC's parent company, the DTCC,<sup>13</sup> on behalf of NSCC, with review and oversight by the DTCC Executive Committee and the Board.

The R&W Plan is comprised of two primary sections: (i) the "Recovery Plan," which sets out the tools and strategies to enable NSCC to recover, in the event it experiences losses that exceed its prefunded resources, and (ii) the "Wind-down Plan," which describes the tools and strategies to be used to conduct an orderly wind-down of NSCC's business in a manner designed to permit the continuation of NSCC's critical services in the event that its recovery efforts are not successful.

The purpose of the rule proposal is to amend the R&W Plan to satisfy the requirements of new Exchange Act Rule 17ad-26,<sup>14</sup> which codifies the definitions of "Recovery"<sup>15</sup> and "Orderly wind-down,"<sup>16</sup> and requires that plans for the recovery and orderly wind-down of a covered clearing agency, such as NSCC, identify and include certain specific elements.<sup>17</sup> In addition to incorporating the required elements into the Plan, the rule proposal would also make other conforming updates and technical revisions consistent with the RWP Rule, including incorporating key terms as defined in Rule 17ad-26. NSCC believes that by helping to ensure that the R&W Plan meets the requirements of Rule 17ad-26 and making necessary amendments and technical revisions that provide additional clarity, the proposed rule change will help NSCC ensure that, in times of extreme market stress, the Plan can ensure continuity of NSCC's critical services and enable Members to maintain access to NSCC's services through the transfer of its membership in the event NSCC defaults or the Wind-down Plan is ever triggered by the Board.

#### Background

As stated above, the R&W Plan is managed by the R&R Team, with review and oversight by the DTCC Executive Committee and the Board. NSCC completed its most recent review of the Plan in 2024, prior to the SEC's adoption of Rule 17ad-26.<sup>18</sup> The proposed rule change reflects

amendments proposed to the Plan that are intended to address the requirements of Rule 17ad-26, which are described in greater detail below.

#### Proposed Amendments

##### A. Proposed Changes To Reflect the Requirements of Rule 17ad-26

NSCC is proposing changes to the Plan to reflect the requirements of Rule 17ad-26. Specifically, NSCC proposes to amend the Plan to incorporate a series of attachments to be added to the end of the Plan that address the requirements of Rule 17ad-26. The proposed attachments would address those requirements of the RWP Rule that are not otherwise covered by the current Plan. NSCC would also add a new section to the Plan, Section 9 (Compliance with SEC Rule 17ad-26: Recovery and Orderly Wind-down Plans of Covered Clearing Agencies) describing each of the attachments

The following are the required elements of Rule 17ad-26 with descriptions of the proposed new attachments to the Plan or, where applicable, the relevant section in which the element is already addressed in the Plan.

**Rule 17ad-26(a)(1) (Core Services):** This element of the RWP Rule requires, among other things, that the covered clearing agency identify and describe its core payment, clearing, and settlement services. NSCC's current Plan already includes the information necessary to satisfy this aspect of Rule 17ad-26. Therefore, other than the relevant name changes needed to replace the term "Critical" with "Core," consistent with the RWP Rule<sup>19</sup> the rule proposal would not amend this portion of the Plan. Specifically, Section 3 (Critical Services) defines the criteria for classifying certain of NSCC's services as "critical,"<sup>20</sup> and identifies such critical services and the rationale for their classification. There is a table (Table 3-B: NSCC Critical Services) that lists each of the services, functions or activities that NSCC has identified as "critical"

based on the applicability of the criteria.<sup>21</sup>

**Rule 17ad-26(a)(1)(i) (Staffing):** Attachment A-1 of the Plan would address the requirements of Rule 17ad-26(a)(1)(i), which requires that NSCC include identification of the staffing roles necessary to support NSCC's core services.<sup>22</sup> Specifically, Attachment A-1 would be in the form of an Excel spreadsheet and would identify the staffing roles necessary to support the core services of NSCC as identified and described in the Plan, in the event of a recovery and during an orderly wind-down. Attachment A-1 would identify the core service and describe the necessary staffing roles, broken out by the number of managers and performers required within the relevant department (for example, Operations, IT). It would also include whether the number of roles is equal to the current business as usual staffing or less and provide a rationale as to why.

**Rule 17ad-26(a)(1)(ii) (Staffing Analysis):** Attachment A-2 of the Plan would address the requirement in Rule 17ad-26(a)(1)(ii)<sup>23</sup> that NSCC analyze how the staffing roles necessary to support the core services identified and described in Attachment A-1 would continue in the event of a recovery and during an orderly wind-down. Specifically, Attachment A-2 would be an analysis that identifies the potential challenges of retaining staffing roles during a recovery or wind-down event and potential ways NSCC has identified to address those challenges so that the core services can continue uninterrupted. The analysis would acknowledge that retaining staff can be particularly challenging during recovery or orderly wind-down periods as uncertainties may lead to employee apprehension. It would also reflect the fact that DTCC cannot guarantee staff retention, but that DTCC has developed various tools to mitigate potential challenges, especially the risk of loss of employees with unique or highly specialized knowledge, skills, or relationships that are critical to functioning and viability of NSCC. The following are the key tools described in Attachment A-2 that NSCC would

<sup>19</sup> *Supra* note 7.

<sup>20</sup> The criteria that is used to identify an NSCC service or function as critical includes consideration as to whether (1) there is a lack of alternative providers or products; (2) failure of the service could impact NSCC's ability to perform its central counterparty services; (3) failure of the service could impact NSCC's ability to perform its netting services, and, as such, the availability of market liquidity; and (4) the service is interconnected with other participants and processes within the U.S. financial system (for example, with other FMs, settlement banks, broker-dealers, and exchanges).

<sup>21</sup> The following are NSCC's critical services as set forth in Table 3-B: (NSCC Critical Services): (1) Trade Capture and Reporting (Universal Trade Capture), (2) Corporate, Municipals, and Unit Investment Trusts (CMU) Service, (3) Obligation Warehouse, (4) Correspondent Clearing, (5) ETPs, (6) ACATS, (7) Account Information Transmission, (8) Continuous Net Settlement (CNS), (9) WMS FundSERV, (10) WMS—Networking and (11) WMS—Mutual Funds Profile Service I (Price and Rate).

<sup>22</sup> *Supra* note 7.

<sup>23</sup> *Id.*

<sup>13</sup> *Supra* note 6.

<sup>14</sup> *Supra* note 7.

<sup>15</sup> *Supra* note 8.

<sup>16</sup> *Supra* note 9.

<sup>17</sup> *Supra* note 10.

<sup>18</sup> *Supra* note 4.

consider leveraging based on the unique circumstances of the recovery and orderly wind-down event or staffing roles, (i) succession planning, (ii) retention agreements, and (iii) cross-training.

*Rule 17ad-26(a)(2)(i) (Service Providers for Core Services):* Attachment B-1 of the Plan would address the requirements of Rule 17ad-26(a)(2)(i), which requires NSCC to identify and describe any service providers for core services (“CSPs”),<sup>24</sup> specifying which core services each service provider supports. Specifically, Attachment B-1 would be in the form of a table with the following rows of information, (i) identification of the third-party service provider for core service(s) (“TCSP”), (ii) a description of service performed by the TCSP, and (iii) identification of the relevant NSCC core service(s) which the TCSP supports. With respect to the identification and description of NSCC’s affiliated service providers of core services, this element of Rule 17ad-26 is addressed in the current Plan in the section covering “Intercompany Arrangements.”<sup>25</sup>

*Rule 17ad-26(a)(2)(ii) (Ensure Continued Performance of Service Providers for Core Services):* Attachment B-2 of the Plan would cover the requirements of Rule 17ad-26(a)(2)(ii),<sup>26</sup> which require covered clearing agencies to address how the covered clearing agency would ensure that CSPs would continue to perform in the event of a recovery and during an orderly wind-down, including consideration of its written agreements with such service providers and whether the obligations under those written agreements are subject to alteration or termination as a result of initiation of the recovery and orderly wind-down plan. Specifically, Attachment B-2 would be a summary describing, among other things, that by

the compliance date of Rule 17ad-26,<sup>27</sup> NSCC would review the written agreements with TCSPs that govern the services provided to NSCC<sup>28</sup> and evaluate the terms and conditions covering termination and alteration of performance in the event of initiation of the Plan, and the ability of NSCC to provide the services to a Transferee in the event of a wind-down.<sup>29</sup> Attachment B-2 would further provide that NSCC would endeavor to amend such written agreements, if necessary, to ensure that such TCSPs would continue to perform as required by Rule 17ad-26.

With respect to NSCC’s affiliated CSPs, each of the relevant written agreements is designated in Table 2-A of the Plan (SIFMU Legal Entity Structure and Intercompany Agreements). In order to confirm DTCC’s commitment to continue to provide services to NSCC in a recovery and to a Transferee in the event of an orderly wind-down, Attachment B-2 would describe that NSCC would work with internal stakeholders to amend the applicable intercompany agreements to include terms and conditions that address a recovery and orderly wind-down scenario similar to those described above covering TCSPs.

*Rule 17ad-26(a)(3) (Scenarios):* Attachment C of the Plan would address the requirements of Rule 17ad-26(a)(3) which are that NSCC identify and describe scenarios that may potentially prevent it from being able to provide its core services as identified in the Plan as a going concern. Specifically, Attachment C identifies three (3) scenarios that include uncovered credit

losses, uncovered liquidity shortfalls and general business losses. For example, there is a multi-Member default scenario, a scenario involving a significant internal operational incident, and a third-party failure scenario. For each scenario, proposed Attachment C would describe, among other things, (i) the scenario type (e.g., uncovered credit loss, uncovered liquidity loss, general business loss), (ii) the scenario background in terms of the cause of the circumstances, and (iii) the severely adverse market conditions associated with or resulting from the scenario.

*Rule 17ad-26(a)(4) (Triggers):* This element of the RWP Rule requires that NSCC identify and describe the criteria that could trigger NSCC’s implementation of the Plan and the process that NSCC uses to monitor and determine whether the criteria have been met, including NSCC’s governance arrangements applicable to such process.<sup>30</sup> NSCC’s current Plan already includes the information necessary to satisfy this aspect of Rule 17ad-26. Specifically, the rule proposal would take the existing language in the Plan that describes the criteria for NSCC’s entry into the Recovery Phase<sup>31</sup> and implementation of the Recovery Plan and move it into a new separate Section of the Plan, Section 5.3 (The Recovery Plan Trigger).<sup>32</sup> In addition, with respect to the trigger for an orderly wind-down of NSCC, current Section 8.4.3 (Triggers for Implementing Wind-down) as well as NSCC Rule 42 (Wind-down of the Corporation), Section 2 (Initiation of the Wind-down Plan) describe the trigger for implementation of the Wind-down Plan and the associated governance process by the Board.<sup>33</sup>

<sup>27</sup> *Id.* The compliance date in which the proposed rule changes must be effective is by December 15, 2025.

<sup>28</sup> See *supra* note 6. As set forth in Section 8.4.2 of the Plan (Critical Services and Clearing Agency Link Arrangements), NSCC utilizes a shared service model in which services are centralized in DTCC, which provides enterprise-wide shared services, staffing, infrastructure and operational support. As a result, NSCC is not typically the party to the written agreements with TCSPs. Rather, these are primarily entered into by DTCC with the TCSP agreeing to provide services to DTCC and/or one or more of its affiliates, including the Clearing Agencies. Therefore, in general, the TCSP does not have a basis to terminate or suspend the performance under the written agreement based on a change in condition in respect of a Clearing Agency, especially when DTCC continues to satisfy its payment obligations for the services.

<sup>29</sup> See *supra* note 3. As described in Section 8.1 of the Plan (Introduction and Executive Summary) and in NSCC Rule 42 (Wind-down of the Corporation), in the event the Board determines that NSCC will initiate the orderly wind-down Plan, a “Transferee” means an entity to which the Business of the Corporation is transferred pursuant to the Wind-down Plan, and may include (i) a failover entity established by DTCC, (ii) a then-existing or newly-established third party entity or (iii) a bridge entity formed to operate the business on an interim basis.

<sup>30</sup> *Supra* note 7.

<sup>31</sup> *Supra* note 4. Pursuant to Section 5.2.4 of the Plan (Recovery Corridor and Recovery Phase), the “Recovery Phase” relates to the actions taken by NSCC to restore its financial resources and avoid wind-down.

<sup>32</sup> Section 5.3 (The Recovery Trigger) would state that the criteria that would trigger NSCC’s entry into the Recovery Phase and thus the implementation of the Recovery Plan is the date that it issues the first Loss Allocation Notice of the second loss allocation round with respect to a given Event Period.

<sup>33</sup> *Supra* note 4. Pursuant to Section 8.4.3 of the Plan (Triggers for Implementing Wind-down) and as set forth in NSCC Rule 42 (Wind-down of the Corporation), Section 2 (Initiation of the Wind-down Plan), the trigger for the implementation of the Wind-down Plan is the Board’s determination that the application of the tools set forth in the Plan to mitigate the adverse impact of credit losses, liquidity shortfalls, losses from general business risk or any other losses, have not restored NSCC to viability as a going concern, able to continue to provide its core services to Members in a safe and efficient manner, or will not likely restore NSCC to viability as a going concern able to continue to provide its core services to Participants and Pledges in a safe and efficient manner.

<sup>24</sup> *Id.* Pursuant to Rule 17ad-26(b) (Definitions), “Service provider for core services” means any person, including an affiliate or a third party, that, through a written agreement for services provided to or on behalf of the covered clearing agency, on an ongoing basis, directly supports the delivery of core services, as identified by the covered clearing agency pursuant to paragraph (a)(1) of this section.”

<sup>25</sup> Section 2.4 of the Plan (Intercompany Arrangements) describes how each of the DTCC SIFMUs receives the majority of its shared or corporate support services from DTCC through intercompany agreements. It describes that services are provided by DTCC, DTCC Europe Limited, DTCC Enterprise Services India Private Limited, and DTCC Singapore Pte. Ltd. The services generally cover enterprise-wide support, including human resources, finance, information technology, credit and quantitative risk, audit, legal, marketing and other services.

<sup>26</sup> *Supra* note 7.

*Rule 17ad-26(a)(5) and Rule 17ad-26(a)(6) (Rules, Policies, Procedures, and Tools):* Attachment D of the Plan would address the requirements of Rule 17ad-26(a)(5) and Rule 17ad-25(a)(6),<sup>34</sup> which require covered clearing agencies to (i) identify and describe the rules, policies, procedures and any other tools or resources on which the covered clearing agency would rely in a recovery or orderly wind-down, and (ii) address how such rules, policies, procedures and any other tools or resources would ensure timely implementation of the Plan. Specifically, Attachment D would be in the form of a two-part table that would include the following column headings: (i) “Tools and Resources,” (ii) “Relevant Rules, Policies and Procedures,” and (iii) “Responsible Body/Personnel” necessary for their governance and implementation. Each row of the table would include this information for each of NSCC’s loss allocation waterfall tools (Part 1 of the table) and for each of NSCC’s liquidity resources (Part 2 of the table).<sup>35</sup> Because the Plan already includes a table that describes NSCC’s loss waterfall tools (Table 5–B)<sup>36</sup> and a table that describes the NSCC’s liquidity tools (Table 5–C),<sup>37</sup> proposed Attachment D would expand upon the information included in Table 5–B and Table 5–C to incorporate the additional information set forth above.

*Rule 17ad-26(a)(7) (Notification to the Commission):* Attachment E would address the requirements of Rule 17ad-26(a)(7), which requires covered clearing agencies to inform the Commission as soon as practicable when the covered clearing agency is considering implementing a recovery or orderly wind-down.<sup>38</sup> Specifically, with respect to notification that NSCC is considering implementing a recovery, proposed Attachment E would state that as set forth in Section 5.2.4 of the Plan (Recovery Corridor and Recovery Phase), NSCC would monitor, during a “Recovery Corridor,” the early warning indicators that could indicate that NSCC

may transition into recovery.<sup>39</sup> NSCC would notify the SEC<sup>40</sup> at the time a determination is made by the Executive Committee that NSCC has entered the Recovery Corridor, which means that either a market event, including a Member default or a non-default event, may result in uncovered losses, liquidity shortfalls or general business losses following end-of-day settlement. As further described in this section of the Plan, NSCC’s entry into the Recovery Corridor indicates that NSCC is considering implementing the Recovery Plan. Therefore, the timing of this notification would provide the SEC with advance notice that NSCC is considering implementing its Recovery Plan and coincide with NSCC’s monitoring of both the adequacy of its resources and the actual and expected timing of resource replenishment.

With respect to notification that NSCC is considering implementing an orderly wind-down, as set forth in Section 8.2.2 of the Plan (Wind-down Indicators),<sup>41</sup> proposed Attachment E would state that NSCC would expect that a significant inability to replenish the Clearing Fund and/or other liquidity resources could lead NSCC to remain in the Recovery Phase<sup>42</sup> for an extended period or potentially consider wind-down. If the various options set forth in the Recovery Plan are not deemed feasible or readily available, NSCC would enter wind-down following a Runway Period.<sup>43</sup> NSCC would notify the SEC<sup>44</sup> at the time a determination is made by the Executive Committee that NSCC has entered the Runway Period. The length of the Runway Period would vary based on the severity of the market stress or other event and the ability of NSCC to replenish its resources in a timely manner. However, in all scenarios, a Runway Period would occur before NSCC would need to implement the Wind-down Plan. Thus, proposed Attachment E would state that the timing of this notification would provide the SEC with advance notice of the fact that NSCC is considering

implementing the Wind-down Plan. It would note further that as a result of NSCC’s prior notification to the SEC that it is considering implementing the Recovery Plan, the SEC would already be actively engaged with NSCC as it proceeds through each stage of the Crisis Continuum, including prior to NSCC’s entry into the Runway Period.

*Rule 17ad-26(a)(8) (Testing):* Attachment F of the Plan would address the requirements of Rule 17ad-26(a)(8)<sup>45</sup> that procedures for testing the ability of a covered clearing agency to implement the recovery and orderly wind-down plan at least every 12 months be included in the Plan. Specifically, Attachment F would describe NSCC’s procedures for testing its ability to implement the Plan at least every 12 months, including describing the requirement that certain NSCC Members participate in the testing based on specified criteria<sup>46</sup> and, when practicable, other stakeholders.

*Rule 17ad-26(a)(9) (Board Approval):* Attachment G to the Plan would address the requirements of Rule 17ad-26(a)(9), which is that the plans include procedures requiring review and approval of the plans by the board of directors at least every 12 months or following material changes to the covered clearing agency’s operations that would significantly affect the viability or execution of the plans, with review informed, as appropriate, by the covered clearing agency’s testing of the plans.<sup>47</sup> Specifically, Attachment G would describe that the R&R Team provides pertinent information and status updates to the Executive Committee and the Board of each SIFMU, including NSCC, with regard to changes and enhancements to the R&W Plan. It would state that approval of the Plan is required at least every 12 months or following material changes to NSCC’s operations that would significantly affect the viability or execution of the Plan. The review by the board is informed, as appropriate, by the SIFMU’s testing of the Plan as described in Attachment F (Testing) to the Plan. It would further describe that the board reviews the SIFMU R&W plans through formal and ad hoc board meetings, receiving any necessary interim updates as determined by the Executive

<sup>34</sup> *Supra* note 7.

<sup>35</sup> NSCC’s liquidity risk management strategy, including the manner in which NSCC would deploy liquidity tools as well as its intraday use of liquidity, is described in the Clearing Agency Liquidity Risk Management Framework. *See* Securities Exchange Act Release No. 102757 (Apr. 1, 2025), 90 FR 15026 (Apr. 7, 2025) (SR–NSCC–2025–004).

<sup>36</sup> *See supra* note 3. The Loss Waterfall tools set out in Table 5–B of the Plan are the “Corporate Contribution” and “Loss Allocation.” *See also*, NSCC Rule 4, (Clearing Fund).

<sup>37</sup> Liquidity tools identified in Table 5–C of the Plan include (i) Utilize short-settling liquidating trades, (ii) Increase the speed of portfolio asset sales, (iii) Credit Facility, (iv) Unissued Commercial Paper, and (v) Non-Qualifying Liquid Resources.

<sup>38</sup> *Supra* note 7.

<sup>39</sup> *Supra* note 4.

<sup>40</sup> Attachment E would state that NSCC would provide this notification to its regular supervisory contacts at the SEC, either verbally and/or in writing.

<sup>41</sup> *Supra* note 4.

<sup>42</sup> *Id.* The Recovery Plan describes the recovery phase of the Crisis Continuum, which would begin on the date that NSCC issues the first Loss Allocation Notice of the second loss allocation round with respect to a given Event Period. *See supra* note 3. As provided for in Rule 4 (Clearing Fund).

<sup>43</sup> *Id.* The Wind-down Plan identifies the time period leading up to a decision to wind-down NSCC as the “Runway Period.”

<sup>44</sup> *Supra* note 40.

<sup>45</sup> *Supra* note 7.

<sup>46</sup> Proposed Attachment F would state that the R&R Team would identify the Members required to participate in the simulation and that considerations for the Member selection may include, but are not limited to, (i) account structure, (ii) affiliated family structure, (iii) business model, (iv) operational details, and (v) Member size in terms of trading and settlement activity.

<sup>47</sup> *Supra* note 7.

Committee. It would identify that the policy and procedures that describe the process for the review and approval of the SIFMU R&W plans by the board are set forth in the following: (i) Office of Recovery and Resolution Planning Procedures and (ii) Office of Recovery and Resolution Planning Policy. In addition, it would provide that the Charter of the board would be amended to include the obligation that the board review and approve the Plan at least every 12 months or following material changes to the DTCC SIFMUs' operations that would significantly affect the viability or execution of the Plan(s).

#### B. Proposed Addition of Section 9 (Compliance With Rule 17ad-26)

For purposes of clarity and consolidation of each of the elements required by 17ad-26 in one section of the Plan, NSCC is proposing to amend the Plan to add a new Section 9 entitled "Compliance with Rule 17ad-26: Recovery and Orderly Wind-down Plans of Covered Clearing Agencies." This proposed new Section would set forth a description of each of the attachments that are incorporated into the Plan that address the required elements of Rule 17ad-26.

#### C. Other Conforming Updates and Technical Revisions

NSCC is also proposing to make other conforming updates and technical revisions to the Plan for consistency with Rule 17ad-26. For example, NSCC would include the following defined terms included in Rule 17ad-26 for "Recovery," "Orderly wind-down," and "Service provider for core services."<sup>48</sup> These technical revisions would also, for example, replace the name of the defined term "Critical Services" in the Plan to "Core Services," to align with the RWP Rule without changing the substantive statements being revised. NSCC believes the proposed updates and technical revisions would improve the clarity and accuracy of the Plan and, therefore, would help facilitate the execution of Plan, if necessary.

#### D. Implementation Date

The proposed rule changes would become effective on the Compliance Date of Rule 17ad-26, December 15, 2025,<sup>49</sup> subject to Commission approval.

#### 2. Statutory Basis

NSCC believes that the proposal is consistent with the requirements of the Act and the rules and regulations

thereunder applicable to a registered clearing agency. In particular, NSCC believes that the amendments to the R&W Plan are consistent with Section 17A(b)(3)(F) of the Act,<sup>50</sup> Rule 17ad-22(e)(3)(ii) under the Act,<sup>51</sup> and Rule 17ad-26 under the Act,<sup>52</sup> for the reasons described below.

Section 17A(b)(3)(F) of the Act requires, in part, that the rules of NSCC be designed to promote the prompt and accurate clearance and settlement of securities transactions. As described above, the proposed rule change would update the R&W Plan to address the requirements of Rule 17ad-26 and make certain technical revisions. By helping to ensure that the R&W Plan reflects the information required by 17ad-26, and providing additional clarity through the technical revisions, NSCC believes that the proposed rule change would help it continue to maintain the Plan in a manner that supports the continuity of NSCC's core services and enables Members to maintain access to NSCC's services through the transfer of its membership in the event NSCC defaults or the Wind-down Plan is ever triggered by the Board. For example, by incorporating the staffing roles necessary to support NSCC's core services and the tools that NSCC could invoke to retain staff in the event of a recovery and during an orderly wind-down, the proposed rule change would assist NSCC in ensuring necessary staff is maintained to support access to and continuity of NSCC's core services. Similarly, the proposed rule change would identify the service providers supporting NSCC's core services and how NSCC would endeavor to ensure that such service providers for core services would continue to perform in the event of a recovery and during an orderly wind-down. This would assist NSCC in ensuring necessary core service providers continue to perform under their contractual arrangements and thus, supporting access to and continuity of NSCC's core services. By facilitating the continuity of its core clearance and settlement services, NSCC believes the Plan and the proposed rule change would continue to promote the prompt and accurate clearance and settlement of securities transactions. Therefore, NSCC believes the proposed amendments to the R&W Plan are consistent with the

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

Rule 17ad-22(e)(3)(ii) under the Act requires NSCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to maintain a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, general business, investment, custody, and other risks that arise in or are borne by the covered clearing agency, which includes plans for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses.<sup>53</sup>

Specifically, the Recovery Plan defines the risk management activities, stress conditions and indicators, and tools that NSCC may use to address stress scenarios that could eventually prevent it from being able to provide its core services as a going concern. Through the framework of the Crisis Continuum, the Recovery Plan addresses measures that NSCC may take to address risks of credit losses and liquidity shortfalls, and other losses that could arise from a Member default. The Recovery Plan also addresses the management of general business risks and other non-default risks that could lead to losses. The Wind-down Plan would be triggered by a determination by the Board that recovery efforts have not been, or are unlikely to be, successful in returning NSCC to viability as a going concern. Once triggered, the Wind-down Plan sets forth clear mechanisms for the transfer of NSCC's membership and business and is designed to facilitate continued access to NSCC's core services and to minimize market impact of the transfer. By establishing the framework and strategy for the execution of the transfer and orderly wind-down of NSCC in order to facilitate continuous access to its critical services, the Wind-down Plan establishes a plan for the orderly wind-down of NSCC.

As described above, the proposed rule change would update the R&W Plan to reflect information regarding the (i) staffing roles necessary to support NSCC's core services and the tools that NSCC could invoke to retain staff in the event of a recovery and during an orderly wind-down, (ii) Service providers of core services supporting NSCC's core services and how NSCC would endeavor to ensure that such service providers for core services would continue to perform in the event of a recovery and during an orderly

<sup>50</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>51</sup> 17 CFR 240.17ad-22(e)(3)(ii).

<sup>52</sup> *Id.* NSCC is a "covered clearing agency" as defined in Rule 17ad-22(a)(5) under the Act and must comply with paragraph (e) of Rule 17ad-22. In 2012, NSCC was designated a systemically important financial market utility ("SIFMU") by the Financial Stability Oversight Council ("FSOC").

<sup>53</sup> *Id.*

<sup>48</sup> *Supra* note 7, 17ad-26(b) (Definitions).

<sup>49</sup> *Id.*

wind-down, (iii) scenarios that may potentially prevent NSCC from being able to provide its core services as a going concern, (iv) criteria that could trigger NSCC's implementation of the Plan, (v) rules, policies, procedures, tools and resources on which NSCC would rely during a recovery or orderly wind-down and how these would ensure timely implementation of the Plan, (vi) NSCC's process for notification to the Commission as soon as practicable when NSCC is considering implementing a recovery or orderly wind-down, (vii) testing of NSCC's ability to invoke the Plan, and (viii) review and approval of the Plans by NSCC's Board of Directors. The proposed rule change would also make certain technical corrections to align with the RWP Rule. By including the above detailed information in the Plan and ensuring that material provisions of the Plan are current, clear, and technically correct, NSCC believes that the proposed amendments are designed to support the maintenance of the Plan for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses, and, as such, meets the requirements of Rule 17ad-22(e)(3)(ii) under the Act.<sup>54</sup> Therefore, the proposed changes would help NSCC to maintain the Plan in a way that continues to be consistent with the requirements of Rule 17ad-22(e)(3)(ii).

Rule 17ad-26 requires the plans for recovery and orderly wind-down of covered clearing agencies, such as NSCC, to identify and address certain information that is pertinent to the Plan.<sup>55</sup> The proposed rule change would add the various elements required by Rule 17ad-26 noted in the previous paragraph and described more fully above. By adding the various required elements, the Plan would contain the necessary information that would facilitate its implementation if it ever needed to be invoked. Therefore, the proposed rule changes would help NSCC maintain the Plan in a way that is consistent with Rule 17ad-26.

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

NSCC does not believe that the proposed rule change would have any impact, or impose any burden, on competition. NSCC does not anticipate that the proposal would affect its day-to-day operations under normal circumstances, or the management of a typical Member default scenario or non-

default event. The R&W Plan was developed and documented in order to satisfy applicable regulatory requirements, as discussed above. The proposal is intended to enhance and update the Plan to ensure it is clear and remains current in accordance with applicable rules in the event it is ever necessary to be implemented. The proposed revisions would not affect any changes to the overall structure or operation of the Plan or NSCC's recovery and wind-down strategy as set forth under the current Plan. As such, NSCC believes the proposal would not have any impact, or impose any burden, on competition.

#### *(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, NSCC will amend this filing to publicly file such comments as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting written 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/regulatory-actions/how-to-submit-comments](http://www.sec.gov/regulatory-actions/how-to-submit-comments). General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at [tradingandmarkets@sec.gov](mailto:tradingandmarkets@sec.gov) or 202-551-5777.

NSCC reserves the right to not respond to any comments received.

#### **III. Date of Effectiveness of the Proposed Rule Change, and Timing for Commission Action**

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 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/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-NSCC-2025-007 on the subject line.

##### *Paper Comments*

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

All submissions should refer to file number SR-NSCC-2025-007. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the 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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of NSCC and on DTCC's website (<https://dtcc.com/legal/sec-rule-filings.aspx>). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-NSCC-2025-007 and

<sup>54</sup> *Id.*

<sup>55</sup> *Supra* note 7.

should be submitted on or before May 20, 2025.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>56</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–102917; File No. SR–NASDAQ–2025–032]

### Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change To List and Trade Shares of the VanEck Avalanche ETF Under Nasdaq Rule 5711(d) (Commodity-Based Trust Shares)

April 23, 2025.

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 April 9, 2025, The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to list and trade shares of the VanEck Avalanche ETF (the “Trust”) under Nasdaq Rule 5711(d) (“Commodity-Based Trust Shares”). The shares of the Trust are referred to herein as the “Shares.”

The text of the proposed rule change is available on the Exchange’s website at <https://listingcenter.nasdaq.com/rulebook/nasdaq/rulefilings>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

#### II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange 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 Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

#### A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

The Exchange proposes to list and trade the Shares under Nasdaq Rule 5711(d), which governs the listing and trading of Commodity-Based Trust Shares on the Exchange.<sup>3</sup> VanEck Digital Assets, LLC (the “Sponsor”) is the sponsor of the Trust, Delaware Trust Company (the “Trustee”) is the trustee of the Trust, and a third party custodian, (the “AVAX Custodian”) will be the custodian of the Trust, who will hold all of the Trust’s Avalanche (“AVAX”) on the Trust’s behalf.

##### Overview of the Trust

The Shares will be registered with the Commission by means of the Trust’s registration statement on Form S–1 (the “Registration Statement”).<sup>4</sup> According to the Registration Statement, the Trust is neither an investment company registered under the Investment Company Act of 1940, as amended, nor a commodity pool for purposes of the Commodity Exchange Act (“CEA”), and the Sponsor is not subject to regulation by the Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator or a commodity trading adviser in connection with the Shares. The Trust is a passive investment vehicle that does not seek to pursue any investment strategy beyond tracking the price of AVAX. As a result, the Trust will not attempt to avoid losses or hedge exposure arising from the risk of changes in the price of AVAX.

According to the Registration Statement, the Trust’s investment objective is to reflect the performance of the price of AVAX, the native token of the Avalanche network, less the expenses of the Trust’s operations. In

seeking to achieve its investment objective, the Trust will hold AVAX and will value its Shares daily based on the reported MarketVector™ Avalanche Benchmark Rate (the “Index”), which is calculated based on prices contributed by trading platforms that the Sponsor’s affiliate, MarketVector Indexes GmbH (“MarketVector”), believes represent the top five AVAX trading platforms based on the industry leading CCData Centralized Exchange Benchmark review report, as described below.

The Sponsor is not registered as an investment adviser and currently is not required to register under the Advisers Act in connection with its activities on behalf of the Trust. The Sponsor may, from time to time, stake a portion of the Trust’s assets through one or more trusted staking providers, which may include an affiliate of the Sponsor (“Staking Providers”). In consideration for any staking activity (“Staking Activity”) in which the Trust may engage, the Trust would receive certain staking rewards of AVAX tokens, which may be treated as income to the Trust.

The Trust will not acquire and will disclaim any incidental right (“IR”) or IR asset received, for example as a result of forks or airdrops, and such assets will not be considered for purposes of determining the Trust’s net asset value (“NAV”).

When the Trust sells or redeems its Shares, it will do so in either cash or in-kind transactions in blocks of 25,000 Shares (a “Basket”) at the NAV. The Trust will conduct creations and redemptions in cash or in-kind transactions with financial firms that are authorized to purchase or redeem Shares with the Trust (“Authorized Participants” or “APs”). Authorized Participants must be registered broker-dealers.

##### Background

##### AVAX and the Avalanche Network

AVAX is a digital asset that is created and transmitted through the operations of the peer-to-peer Avalanche network, a dispersed network of computers that operates on cryptographic software protocols based on open source code. No single entity is known to own or operate the Avalanche network on a day to day basis, the infrastructure of which is understood to be collectively maintained by a global user base. The Avalanche network allows people to exchange tokens of value, called AVAX, which are recorded on a public transaction ledger known as a blockchain. AVAX can be used to pay for goods and services, including computational power on the Avalanche

<sup>3</sup> The Commission approved Nasdaq Rule 5711 in Securities Exchange Act Release No. 66648 (March 23, 2012), 77 FR 19428 (March 30, 2012) (SR–NASDAQ–2012–013).

<sup>4</sup> See Registration Statement on Form S–1, dated March 14, 2025, submitted by the Sponsor on behalf of the Trust. The descriptions of the Trust, the Shares, and the Index (as defined below) contained herein are based, in part, on information in the Registration Statement. The Registration Statement is not yet effective, and the Shares will not trade on the Exchange until such time that the Registration Statement is effective.

<sup>56</sup> 17 CFR 200.30–3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b–4.