should be submitted on or before January 18, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[18]

Eduardo A. Aleman,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–82377; File Nos. SR–DTC–2017–004; SR–NSCC–2017–005; SR–FICC–2017–008]

Self-Regulatory Organizations; The Depository Trust Company; National Securities Clearing Corporation; Fixed Income Clearing Corporation; Notice of Filing of Amendment No. 4, Notice of Filing Amendment No. 5, Notice of Filing Amendment No. 6, and Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendment Nos. 1, 3 and 6, To Adopt the Clearing Agency Liquidity Risk Management Framework

December 21, 2017.

I. Introduction

On April 6, 2017, The Depository Trust Company (''DTC''), National Securities Clearing Corporation (''NSCC''), and Fixed Income Clearing Corporation (''FICC,'' each a ''Clearing Agency,'' and collectively, the ''Clearing Agencies''), filed with the Securities and Exchange Commission (''Commission'') proposed rule changes SR–DTC–2017–004, SR–NSCC–2017–005, and SR–FICC–2017–008, respectively, pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder.[2]

On April 13, 2017, the Clearing Agencies each filed Amendment No. 1 to their respective proposed rule changes. Amendment No. 1 made technical corrections to each Exhibit 5 of the proposed rule change filings. The proposed rule changes, as modified in each instance by Amendment No. 1, were published for comment in the **Federal Register** on April 25, 2017.[3] On June 7, 2017, the Commission designated a longer period for Commission Action on the proposed rule changes, as amended in each instance by Amendment No. 1.[4]

On July 20, 2017, the Clearing Agencies each filed Amendment No. 2 to their respective proposed rule changes, as previously modified by Amendment No. 1. On July 21, 2017, the Clearing Agencies each filed Amendment No. 3 to their respective proposed rule changes to supersede and replace Amendment No. 2 in its entirety, due to a technical defect of Amendment No. 2. The proposed rule changes, as modified in each instance by Amendment No. 3, were published for comment in the **Federal Register** on July 28, 2017, and the Commission instituted proceedings under Section 19(b)(2)(B) of the Act [5] to determine whether to approve or disapprove the proposed rule changes.[6] On October 16, 2017, the Commission designated a longer period on the proceedings to determine whether to approve or disapprove the proposed rule changes, as modified by Amendment Nos. 1 and 3.[7] The Commission did not receive any comment letters on the proposed rule changes, as modified by Amendment Nos. 1 and 3.

On December 15, 2017, the Clearing Agencies each filed Amendment No. 4 to their respective proposed rule changes, as discussed below. On the same day, the Clearing Agencies each filed Amendment No. 5 to their respective proposed rule changes to supersede and replace Amendment No. 4 in its entirety, due to technical errors of Amendment No. 4. On December 18, 2017, Clearing Agencies each filed Amendment No. 6 to their respective proposed rule changes to supersede and replace Amendment No. 5 in its entirety. The Commission is publishing this notice to solicit comments on Amendment No. 6 from interested persons and is approving on an accelerated basis the proposed rule changes, as modified by Amendment Nos. 1, 3, and 6 (hereinafter, ''Amended Proposed Rule Changes'').

II. Description of the Proposed Rule Changes as Previously Modified by Amendment Nos. 1 and 3, and Notice of Filing Amendment No. 6

A. Proposed Rule Changes as Previously Modified by Amendment Nos. 1 and 3

The Clearing Agencies propose to adopt the Clearing Agency Liquidity Risk Management Framework (''Framework'') of the Clearing Agencies. The Framework would outline the regulatory requirements that would be applicable to each Clearing Agency with respect to liquidity risk management, and would be owned and managed by the Liquidity Product Risk Unit (''LPRU'') of DTCC.[8]

The Framework would, generally, set forth the Clearing Agencies' liquidity resources and liquidity risk management practices, to include measurement and monitoring of their respective liquidity risks.[9] More specifically, the Framework would describe FICC and NSCC's liquidity risk management strategy and objectives, which are to maintain sufficient liquid resources to meet the potential amount of funding required to settle outstanding transactions of a defaulting Member, or affiliated family (''Affiliated Family'') of Members, in a timely manner.[10] For DTC, the Framework would describe how DTC's liquidity management strategy and controls are designed to maintain sufficient available liquid resources to complete system-wide settlement on each business day with a high degree of confidence, notwithstanding the failure to settle of a Participant or Affiliated Family of Participants.[11] The Framework would also state that DTC operates on a fully collateralized basis.[12]

Although the Clearing Agencies would consider the Framework to be a rule of each Clearing Agency, the proposed changes do not require any changes to the Rules, By-laws and Organization Certificate of DTC (''DTC Rules''), the FICC Government Securities Division (''GSD'') Rulebook (''GSD Rules''), the FICC Mortgage-

[18] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4.

[3] Securities Exchange Act Release No. 80489 (April 19, 2017), 82 FR 19120 (April 25, 2017) (SR–DTC–2017–004, SR–NSCC–2017–005, SR–FICC–2017–008) (''Notice'').

[4] Securities Exchange Act Release No. 80877 (June 7, 2017), 82 FR 27094 (June 13, 2017) (SR–DTC–2017–004, SR–NSCC–2017–005, SR–FICC–2017–008).

[5] 15 U.S.C. 78s(b)(2)(B).

[6] Securities Exchange Act Release No. 81194 (July 24, 2017), 82 FR 35241 (July 28, 2017) (SR–DTC–2017–004, SR–NSCC–2017–005, SR–FICC–2017–008) (''Order Instituting Proceedings'').

[7] Securities Exchange Act Release No. 81885 (October 20, 2017), 82 FR 48857 (October 20, 2017) (SR–DTC–2017–004, SR–NSCC–2017–005, SR–FICC–2017–008).

[8] The parent company of the Clearing Agencies is The Depository Trust & Clearing Corporation (''DTCC''). DTCC operates on a shared services model with respect to the Clearing Agencies. Most corporate functions are established and managed on an enterprise-wide basis pursuant to intercompany agreements under which it is generally DTCC that provides a relevant service to a Clearing Agency. Notice, 82 FR at 19121.

[9] *Id.*

[10] FICC and NSCC refer to their participants as ''Members,'' while DTC refers to its participants as ''Participants.'' These terms are defined in the respective rules of each of the Clearing Agencies. Notice, 82 FR at 19121.

[11] *Id.*

[12] *Id.*

Backed Securities Division (''MBSD'') Clearing Rules (''MBSD Rules''), or the Rules & Procedures of NSCC (''NSCC Rules,'' and together with the DTC Rules, GSD Rules, and MBSD Rules, ''Rules''), as the Framework would be a standalone document.[13]

1. Liquidity Resources

The Framework would address how each of the Clearing Agencies meets its requirement to hold qualifying liquid resources, as defined by Rule 17Ad–22(a)(14) under the Act,[14] sufficient to meet its minimum liquidity resource requirement in each relevant currency for which it has payment obligations owed to its Members or Participants, as applicable.[15] The Framework would identify each of the qualifying liquid resources available to each Clearing Agency. Such qualifying liquid resources include, for example, (1) deposits to the Clearing Agencies' respective Clearing Funds, or, for DTC, its Participants Fund, made by Members or Participants pursuant to the respective rules; [16] (2) for DTC and NSCC, an annual committed credit facility; [17] (3) for NSCC, its Members' Supplemental Liquidity Deposits; [18] and (4) for GSD and MBSD, a rule-based Capped Contingency Liquidity Facility (''CCLF'') program.[19] The Framework would also state that the Clearing Agencies may have access to other available resources that may not meet the definition of qualifying liquid resources.[20]

2. Liquidity Measurement and Monitoring

The Framework would describe the manner in which FICC and NSCC measure and monitor the sufficiency of their respective qualifying liquid resources through daily liquidity studies that consider certain risk scenarios. The scenarios are designed to measure the sufficiency of their available qualifying liquid resources to meet the cash settlement obligations of their respective largest Affiliated Family of Members in a number of stressed conditions, including extreme but plausible scenarios applied under severely adverse market conditions that could coincide with the default of a Member.[21] The Framework would provide three types of scenarios: (1) Normal market scenarios, as a baseline reference point to assess other stress assumptions; (2) scenarios designed to meet the requirements set forth in Rule 17Ad–22(e)(7)(i) under the Act; and (3) scenarios designed to meet the requirements set forth in Rule 17Ad–22(e)(7)(vi) under the Act.[22] The Framework would describe the manner in which the scenarios are developed and selected for testing.[23] The Framework would also describe how liquidity stress testing results are escalated to Clearing Agency management on at least a monthly basis, and how these results are used to evaluate the adequacy of the liquidity resources of FICC and NSCC.[24]

With respect to DTC's measurement of the sufficiency of its liquidity resources, the Framework would set forth that the Collateral Monitor and the Net Debit Cap [25] limit DTC's liquidity exposure and, thus, DTC's liquidity requirement in default scenarios.[26] The Framework would describe how the Collateral Monitor and the Net Debit Cap enable DTC to regularly test the sufficiency of its liquid resources on an intraday and end-of-day basis and adjust to stressed circumstances during a settlement day to protect DTC and its Participants against liquidity exposure under normal and stressed market conditions.[27]

The Framework would describe how the Clearing Agencies review the limits of outstanding investments and collateral held (if applicable) by each Clearing Agency's investment counterparties, and conduct formal reviews of the reliability of their liquidity providers in extreme but plausible market conditions.[28] The Framework would further describe how the Clearing Agencies undertake due diligence with respect to their liquidity providers and conduct a credit analysis of each liquidity provider, and how NSCC and DTC conduct operational testing with their committed credit facility lenders at least annually.[29]

The Framework would describe how the Clearing Agencies would address foreseeable liquidity shortfalls that would not be covered by their existing liquid resources.[30] For example, DTC would address a foreseeable, same-day liquidity shortfall through adjustments to the Net Debit Cap reductions, as provided under the DTC Rules.[31] In addition, the Framework would describe how the Clearing Agencies' existing qualifying liquid resources may be replenished in accordance with the respective rules of the Clearing Agencies.[32] For example, the Framework would describe how the Clearing Agencies may use proceeds that may be available from the liquidation of a defaulting participant's portfolio (including the sale of collateral used to secure a borrowing) to repay liquidity borrowings, thus replenishing the relevant Clearing Agency's liquid resources.[33]

The Framework would state that the Clearing Agencies' liquidity risk models are subject to independent model validation on at least an annual basis.[34] The Framework would describe the manner in which the liquidity risks of the Clearing Agencies are assessed and escalated through liquidity risk management controls that include a statement of risk tolerances that are specific to liquidity risk (''Liquidity Risk Tolerance Statement''), and an operational risk profile of LPRU, which contains consolidated risk and control data.[35] Finally, the Framework would state that the Liquidity Risk Tolerance Statement is reviewed by management within the LPRU annually, and is escalated to the Risk Committee of the Board of Executives of each Clearing Agency for review and approval at least annually.[36]

B. Notice of Filing of Amendment No. 6

Amendment No. 6, which supersedes and replaces Amendment Nos. 4 and 5, added additional detail and clarity to the proposal, as well as making some technical corrections. Specifically, Amendment No. 6 clarifies that DTC's structural features, including the Collateral Monitor, Net Debit Cap, and Participants Fund enable it to maintain sufficient qualifying liquid resources by limiting the liquidity requirements in

[13] Rules, *available at http://www.dtcc.com/en/legal/rules-and-procedures.*

[14] 17 CFR 240.17Ad–22(a)(14).

[15] Notice, 82 FR at 19121.

[16] DTC Rule 4 (Participants Fund and Participants Investment), GSD Rule 4 (Clearing Fund and Loss Allocation), MBSD Rule 4 (Clearing Fund and Loss Allocation), NSCC Rule 4 (Clearing Fund). Rules, *supra* note 13.

[17] *See* Securities Exchange Act Release No. 77750 (April 29, 2016), 81 FR 27181 (May 5, 2016) (SR–DTC–2016–801, SR–NSCC–2016–801). Notice, 82 FR at 19121.

[18] NSCC Rule 4A (Supplemental Liquidity Deposits). Rules, *supra* note 13.

[19] MBSD Rule 17, Section 2a (Procedures for When the Corporation Ceases to Act). Rules, *supra* note 13.

[20] Notice, 82 FR at 19121.

[21] Notice, 82 FR at 19121 and 19123.

[22] Order Instituting Proceedings, 82 FR at 35242.

[23] Notice, 82 FR at 19121.

[24] *Id.*

[25] ''Collateral Monitor'' and ''Net Debit Cap'' are defined in DTC Rule 1, Section 1 (Definitions), and their calculations are further provided for in the DTC Settlement Service Guide of the DTC Rules. Rules, *supra* note 13.

[26] Notice, 82 FR at 19121.

[27] *Id.*

[28] *Id.*

[29] Notice, 82 FR at 19121 and 19123.

[30] *Id.*

[31] Notice, 82 FR at 19123.

[32] Notice, 82 FR at 19121 and 19123.

[33] Notice, 82 FR at 19123.

[34] *Id.*

[35] Notice, 82 FR at 19121–19122.

[36] Notice, 82 FR at 19122.

default scenarios. Similarly, in order to more accurately describe DTC's current practices with respect to the Collateral Monitor and Net Debit Cap, Amendment No. 6 deletes a description in the proposal stating that the Collateral Monitor and the Net Debit Cap enable DTC to regularly test the sufficiency of its liquid resources on an intraday and end-of-day basis and adjust to stressed circumstances during a settlement day to protect DTC and its Participants against liquidity exposure under normal and stressed market conditions.

Amendment No. 6 revises the Framework to (1) update the citation of the proposed rule change filing regarding FICC GSD's CCLF program, which was approved by the Commission on November 15, 2017, and (2) state that FICC GSD's CCLF program will become a qualifying liquid resource of FICC GSD on November 15, 2018.[37]

Amendment No. 6 also modifies and elaborates FICC and NSCC's liquidity sufficiency testing that is performed daily with respect to three types of scenarios: (1) Normal market scenarios, as a baseline reference point to assess other stress assumptions, (2) scenarios designed to meet the requirements set forth in Rule 17Ad–22(e)(7)(i)[38] under the Act (''Level 2 Scenarios''), and (3) scenarios designed to meet the requirements set forth in Rule 17Ad–22(e)(7)(vi)(A)[39] under the Act (''Level 3 Scenarios''). The Framework is further modified by Amendment No. 6 to state that daily liquidity studies may also be performed for informational and monitoring purposes using stress scenarios that exceed the requirements of Rule 17Ad–22(e)(7)(vi)(A) under the Act.[40]

Amendment No. 6 also modifies the Framework to describe the purpose of the three types of stress scenario described above. Specifically, Amendment No. 6 revised the Framework to state that Level 2 Scenarios assume a wide range of foreseeable stress scenarios that include, but are not limited to, the default of the Affiliated Family of Members that would generate the largest aggregate payment obligation for the FICC or NSCC in extreme but plausible market conditions. In this way, the Framework would state that these daily liquidity studies are designed to meet the requirements of Rule 17Ad–22(e)(7)(i) under the Act.[41] Meanwhile, Amendment No. 6 further revised the Framework to state that Level 3 Scenarios assume certain standard and predetermined parameters which are designed to be extreme but plausible and meet the requirements set forth in Rule 17Ad–22(e)(7)(vi)(A) under the Act.[42]

Amendment No. 6 also revises the Framework to provide the analysis and escalation process for any liquidity shortfalls that are identified through the daily studies utilizing the Level 2 and Level 3 Scenarios. Amendment No. 6 modifies the Framework to describe how the liquidity stress testing is regularly reviewed and analyzed, including an evaluation of the appropriateness of existing scenarios, and would also describe how these analyses are escalated on at least a monthly basis. The Framework is further revised by Amendment No. 6 to state that liquidity stress testing is comprehensively analyzed on a weekly basis, and how the results of the analysis are escalated on a monthly basis and used to evaluate the adequacy of the qualifying liquid resources of FICC or NSCC. Amendment No. 6 also modifies the Framework to describe the manner in which Level 2 and Level 3 scenarios are developed and selected for testing.

Furthermore, Amendment No. 6 revises the Framework to state that the Clearing Agencies may have access to other available resources that do not meet the definition of qualifying liquid resources. Amendment No. 6 also revises the Framework to state that each of the Clearing Agencies would annually test borrowing of their liquidity resources to confirm providers are operationally able to perform their commitments and are familiar with the drawdown process.

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act directs the Commission to 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.[43] After carefully considering the Amended Proposed Rule Changes, the Commission finds that the Amended Proposed Rule Changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to the Clearing Agencies. Specifically, the Commission finds that the Amended Proposed Rule Changes are consistent with Section 17A(b)(3)(F) of the Act[44] and Rule 17Ad–22(e)(7) under the Act.[45]

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

Section 17A(b)(3)(F) of the Act requires, in part, that the rules of a registered clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, and to assure the safeguarding of securities and funds which are in the custody or control of the Clearing Agencies or for which they are responsible.[46] As described above, the Framework would set forth the Clearing Agencies' liquidity risk management strategy and objectives, which are to maintain sufficient liquid resources (1) in the case of FICC and NSCC, to meet the potential amount of funding required to settle outstanding transactions of a defaulting Member, or Affiliated Family of Members, in a timely manner, or (2) in the case of DTC, to complete system-wide settlement on each business day with a high degree of confidence, notwithstanding the failure to settle of a Participant or Affiliated Family of Participants.

The Framework would address how each Clearing Agency holds liquid resources to effect the cash settlement obligations of their largest Affiliated Family of Members or Participants. In order to do so, the Framework would identify each of the liquid resources available to each Clearing Agency. In addition, the Framework would describe how each Clearing Agency measures and monitors the sufficiency of its liquid resources to meet its obligation across a range of stress scenarios. The Framework would provide how the Clearing Agencies conduct reviews of the reliability of their liquidity providers, how the Clearing Agencies would address foreseeable liquidity shortfalls, and how the Clearing Agencies would replenish their liquid resources. The Framework also would describe how liquidity risks to each Clearing Agency are assessed and escalated through liquidity risk management controls.

By providing for the maintenance and monitoring of each Clearing Agency's liquidity resources, the Framework helps position the Clearing Agencies to better withstand the liquidity risks that

[37] MBSD Rule 17, Section 2a (Procedures for When the Corporation Ceases to Act). Rules, *supra* note 13. *See* Securities Exchange Act Release Nos. 82090 (November 15, 2017), 82 FR 55427 (November 21, 2017) (SR–FICC–2017–002); 81054 (June 29, 2017), 82 FR 31356 (July 6, 2017) (SR–FICC–2017–802).

[38] 17 CFR 240.17Ad–22(e)(7)(i).

[39] 17 CFR 240.17Ad–22(e)(7)(vi)(A).

[40] *Id.*

[41] 17 CFR 240.17Ad–22(e)(7)(i).

[42] 17 CFR 240.17Ad–22(e)(7)(vi)(A).

[43] 15 U.S.C. 78s(b)(2)(C).

[44] 15 U.S.C. 78q–1(b)(3)(F).

[45] 17 CFR 240.17Ad–22(e)(7).

[46] 15 U.S.C. 78q–1(b)(3)(F).

arise in or are borne by them and to be better positioned to continue their critical operations and services. In turn, such improved positioning in these areas could help promote the prompt and accurate clearance and settlement of securities transactions by the Clearing Agencies and reduce the possibility of the Clearing Agencies' failure, which could help mitigate the risk of financial loss contagion that could be caused by such a failure. With such aims, the Framework could help further assure the safeguarding of securities and funds which are in the custody or control of the Clearing Agencies, or for which they are responsible. Accordingly, the Commission finds that the Amended Proposed Rule Changes are consistent with the requirements of Section 17A(b)(3)(F) of the Act.[47]

B. Consistency With Section 17Ad–22(e)(7)(i), (ii), (iv), (v), (vi), (vii), (viii), and (ix)

Rule 17Ad–22(e)(7) under the Act requires that each covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to, among other things effectively measure, monitor, and manage the liquidity risks that arise in or are borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity.[48] Specifically, Rule 17Ad–22(e)(7)(i) under the Act requires each covered clearing agency to maintain sufficient liquid resources at the minimum in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment obligation for the covered clearing agency in extreme but plausible market conditions.[49] Meanwhile, Rule 17Ad–22(e)(7)(ii) under the Act requires each covered clearing agency to hold qualifying liquid resources to meet the minimum liquidity resource requirement under Rule 17Ad–22(e)(7)(i) in each relevant currency for which the covered clearing agency has payment obligations owed to clearing members.[50]

The Framework would provide that FICC and NSCC maintain liquid resources sufficient to meet the potential amount of funding required to settle outstanding transactions of a defaulting Member or Affiliated Family of Members in a timely manner. The Framework would further provide that DTC maintain sufficient available liquidity resources to complete system-wide settlement on each business day, with a high degree of confidence and notwithstanding the failure to settle of the Participant or Affiliated Family of Participants with the largest settlement obligation. The Framework would also describe how FICC and NSCC perform daily liquidity studies, which are designed to measure the sufficiency of their available liquid resources to meet the cash settlement obligations of their largest Affiliated Family of Members in a number of stress conditions including extreme but plausible scenarios applied under severely adverse market conditions that could coincide with the default of a participant.

Furthermore, the Framework would provide that the Clearing Agencies hold qualifying liquid resources sufficient to meet their minimum liquidity resource requirement and identify each of the qualifying liquid resources available to each Clearing Agency, which include (1) deposits to the Clearing Agencies' respective Clearing Funds, or, for DTC, its Participants Fund, made by Members or Participants pursuant to the respective rules; (2) for DTC and NSCC, an annual committed credit facility; (3) for NSCC, its Members' Supplemental Liquidity Deposits; and (4) for GSD and MBSD, their respective rule-based CCLF program. As such, the Commission finds that the Framework is consistent with Rule 17Ad–22(e)(7)(i) and (ii).[51]

Rule 17Ad–22(e)(7)(iv) under the Act requires that a covered clearing agency undertake due diligence to confirm that it has a reasonable basis to believe each of its liquidity providers, whether or not such liquidity provider is a clearing member, has (A) sufficient information to understand and manage the liquidity provider's liquidity risks; and (B) the capacity to perform as required under its commitments to provide liquidity to the covered clearing agency.[52] Further, Rule 17Ad–22(e)(7)(v) under the Act requires that a covered clearing agency maintain and test with each liquidity provider, to the extent practicable, the covered clearing agency's procedures and operational capacity for accessing each type of relevant liquid resource under Rule 17Ad–22(e)(7)(i) at least annually.[53]

The Framework would describe how the Clearing Agencies undertake due diligence with respect to their liquidity providers, and conduct testing with those providers at least annually. The Framework would describe how the Clearing Agencies review the limits of outstanding investments and collateral held of each Clearing Agency's investment counterparties, and conduct formal reviews of the reliability of their liquidity providers in extreme but plausible market conditions to test the liquidity providers' reliability. These reviews, as described in the Framework, would also include a credit analysis of each liquidity provider. Further, the Framework would describe annual operational testing of the DTC and NSCC committed credit facility, which is conducted to confirm the lenders are operationally able to perform their commitments and are familiar with the drawdown process, and would state that each of the Clearing Agencies would annually test borrowing of their liquidity resources to confirm providers are operationally able to perform their commitments and are familiar with the drawdown process. The due diligence and testing required above are designed to inform the Clearing Agencies to confirm that they have a reasonable basis to believe each of the liquidity providers has sufficient information to understand and manage the liquidity provider's liquidity risk and the capacity to perform as required. In addition, the due diligence and testing are designed to maintain and check the Clearing Agencies' procedures and operational capacity for accessing their respective liquid resources. Therefore, the Commission finds that the Framework is consistent with Rules 17Ad–22(e)(7)(iv) and (v) under the Act.[54]

Rule 17Ad–22(e)(7)(vi) under the Act requires that a covered clearing agency determine the amount and regularly test the sufficiency of the liquid resources held for purposes of meeting the minimum liquid resource requirement under Rule 17Ad–22(e)(7)(i) by, at a minimum: (A) Conducting stress testing of its liquid resources at least once each day using standard and predetermined parameters and assumptions; (B) conducting a comprehensive analysis on at least a monthly basis of the existing stress testing scenarios, models, and underlying parameters and assumptions used in evaluating liquidity needs and resources, and considering modifications to ensure they are appropriate for determining the clearing agency's identified liquidity needs and

[47] 15 U.S.C. 78q–1(b)(3)(F).

[48] 17 CFR 240.17Ad–22(e)(7).

[49] 17 CFR 240.17Ad–22(e)(7)(i).

[50] 17 CFR 240.17Ad–22(e)(7)(ii).

[51] 17 CFR 240.17Ad–22(e)(7)(i) and (ii).

[52] 17 CFR 240.17Ad–22(e)(7)(iv).

[53] 17 CFR 240.17Ad–22(e)(7)(v).

[54] 17 CFR 240.17Ad–22(e)(7)(iv) and (v).

resources in light of current and evolving market conditions; (C) conducting a comprehensive analysis of the scenarios, models, and underlying parameters and assumptions used in evaluating liquidity needs and resources more frequently than monthly when the products cleared or markets served display high volatility or become less liquid, when the size or concentration of positions held by the clearing agency's participants increases significantly, or in other appropriate circumstances described in such policies and procedures; and (D) reporting the results of its analyses under Rule 17Ad–22(e)(7)(vi)(B) and (C) to appropriate decision makers at the covered clearing agency, including but not limited to, its risk management committee or board of directors, and using these results to evaluate the adequacy of and adjust its liquidity risk management methodology, model parameters, and any other relevant aspects of its liquidity risk management framework.[55]

As described above, the Framework would describe how FICC and NSCC would use the three types of stress scenarios to test their daily liquidity to ensure their liquidity resources are sufficient to meet the obligations of their largest Affiliated Family of Members. For example, under a Level 3 Scenario, FICC or NSCC could assume certain standard and predetermined parameters that are designed to be extreme but plausible. The Framework would also state that daily liquidity studies may be performed for informational and monitoring purposes using stress scenarios that exceed the requirements of Rule 17Ad–22(e)(7)(vi)(A).[56] Furthermore, the Framework would further describe the analysis and escalation process for any liquidity shortfalls that are identified through the daily studies utilizing the Level 2 and Level 3 Scenarios. The Framework would also provide how liquidity stress testing is comprehensively analyzed on a weekly basis, and how these analyses are escalated on at least a monthly basis and used to evaluate the adequacy of the qualifying liquid resources of FICC or NSCC. Because the Framework is designed to stress test the sufficiency of the liquid resources daily, conduct a comprehensive analysis of liquidity stress testing on a weekly basis, and report the results of such analysis to the management committee responsible for oversight of risk management matters, the Commission finds that the Framework concerning FICC and NSCC is consistent with Rule 17Ad–22(e)(7)(vi) under the Act.[57]

Rule 17Ad–22(e)(7)(vii) under the Act requires that a covered clearing agency perform a model validation of its liquidity risk models not less than annually or more frequently as may be contemplated by the covered clearing agency's risk management framework established pursuant to Rule 17Ad–22(e)(3).[58] The Framework would describe how the Clearing Agencies' liquidity risk models are subject to independent model validations on at least an annual basis. As such, the Commission finds that the Framework is consistent with Rule 17Ad–22(e)(7)(vii) under the Act.[59]

Rule 17Ad–22(e)(7)(viii) under the Act requires that a covered clearing agency address foreseeable liquidity shortfalls that would not be covered by the covered clearing agency's liquid resources and seek to avoid unwinding, revoking, or delaying the same-day settlement of payment obligations.[60] As described above, the Framework would describe how each of the Clearing Agencies addresses foreseeable liquidity shortfalls that would not be covered by their existing liquid resources through, for example, modification to its existing liquid resources. Therefore, the Commission finds that the Framework is consistent with Rule 17Ad–22(e)(7)(viii) under the Act.[61]

Rule 17Ad–22(e)(7)(ix) under the Act requires that a covered clearing agency describe the covered clearing agency's process to replenish any liquid resources that the clearing agency may employ during a stress event.[62] The Framework would describe how the Clearing Agencies' existing liquid resources may be replenished in accordance with the respective rules of the Clearing Agencies. For example, the Framework would describe how the Clearing Agencies may use proceeds that may be available from the liquidation of a defaulting Member or Participant's portfolio (including the sale of collateral used to secure a borrowing) to repay liquidity borrowings, thus replenishing the relevant Clearing Agency's liquid resources. Therefore, the Commission finds that the Framework is consistent with Rule 17Ad–22(e)(7)(ix) under the Act.[63]

IV. Request for Written Comments

The Commission requests that interested persons provide written submissions of their views, data, and arguments concerning Amendment No. 6 to File Number SR–DTC–2017–004, SR–NSCC–2017–005, or SR–FICC–2017–008. In particular, the Commission invites the written views of interested persons concerning whether Amendment No. 6 is consistent with Section 17A(b)(3)(F) of the Act,[64] Rule 17Ad–22(e)(7) under the Act,[65] or any other provision of the Act, rules, and regulations thereunder. Comments may be submitted by any of the following methods:

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–DTC–2017–004, SR–NSCC–2017–005, or SR–FICC–2017–008 on the subject line.

Paper Comments

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

All submissions should refer to File Number SR–DTC–2017–004, SR–NSCC–2017–005, or SR–FICC–2017–008. One of these file numbers 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 Amendment No. 6 that are filed with the Commission, and all written communications relating to Amendment No. 6 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 Clearing Agencies, and on DTCC's website (*http://dtcc.com/legal/sec-rule-filings.aspx*). All comments received will be posted without change.

[55] 17 CFR 240.17Ad–22(e)(7)(vi).

[56] 17 CFR 240.17Ad–22(e)(7)(vi)(A).

[57] 17 CFR 240.17Ad–22(e)(7)(vi).

[58] 17 CFR 240.17Ad–22(e)(7)(vii) and 17 CFR 240.17Ad–22(e)(3).

[59] 17 CFR 240.17Ad–22(e)(7)(vii).

[60] 17 CFR 240.17Ad–22(e)(7)(viii).

[61] *Id.*

[62] 17 CFR 240.17Ad–22(e)(7)(ix).

[63] *Id.*

[64] 15 U.S.C. 78q–1(b)(3)(F).

[65] 17 CFR 240.17Ad–22(e)(7).

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–DTC–2017–004, SR–NSCC–2017–005, or SR–FICC–2017–008 and should be submitted on or before January 18, 2018. If comments are received, any rebuttal comments should be submitted on or before February 1, 2018.

V. Accelerated Approval of the Amended Proposed Rule Changes

The Commission finds good cause, pursuant to Section 19(b)(2) of the Act,[66] to approve the Amended Proposed Rule Changes prior to the 30th day after the date of publication of Amendment No. 6 in the **Federal Register**.

As discussed more fully above, the Commission finds that the Framework could help Clearing Agencies to withstand the liquidity risks that arise in or are borne by the Clearing Agencies, and to continue their critical operations and services, which helps to promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.[67] By maintaining liquidity resources and monitoring sufficiency of the available liquidity resources, the Commission further finds that the Framework is designed to help reduce the possibility of the Clearing Agencies' failure, as well as mitigate the risk of financial loss contagion caused by the Clearing Agencies' failure. Therefore, the Framework could help further assure the safeguarding of securities and funds which are in the custody or control of the Clearing Agencies, or for which they are responsible, consistent with Section 17A(b)(3)(F).[68]

More specifically regarding Amendment No. 6, the amendment clarifies and modifies the Framework by (1) providing more accurate descriptions of DTC's Collateral Monitor and Net Debit Cap, (2) modifying and elaborating on FICC and NSCC's daily liquidity stress testing to ensure that their respective liquidity resources are sufficient to meet the cash settlement obligations of their respective largest Affiliated Family of Members, and (3) providing the analysis and escalation process for liquidity shortfalls that are identified through the daily testing with respect to Level 2 and Level 3 Scenarios.

By providing more accurate descriptions of DTC's liquidity risk management tools, Amendment No. 6 would help ensure that the DTC Rules are transparent and clear, which would help enable its Participants to better identify and understand the risks they incur by participating in DTC. In addition, by providing additional detail around FICC and NSCC's daily liquidity sufficiency testing, as well as the analysis and escalation process for liquidity shortfalls, Amendment No. 6 could help mitigate the risk that FICC and NSCC would be unable to promptly meet their settlement obligations due to insufficient liquidity. By doing so, the Commission finds that Amendment No. 6 could help FICC and NSCC to be in a better position to withstand their respective liquidity risks, thereby promoting the prompt and accurate clearance and settlement of securities, consistent with Section 17A(b)(3)(F) of the Act.[69]

Accordingly, the Commission finds good cause for approving the Amended Proposed Rule Changes on an accelerated basis, pursuant to Section 19(b)(2) of the Act.[70]

VI. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule changes, as modified by Amendment No. 1, 3, and 6 are consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act[71] and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule changes SR–DTC–2017–004, SR–NSCC–2017–005, or SR–FICC–2017–008 as modified by Amendment Nos. 1, 3, and 6 be, and hereby are, APPROVED on an accelerated basis.[72]

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[73]

Eduardo Aleman,

Assistant Secretary.

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[66] 15 U.S.C. 78s(b)(2).

[67] 15 U.S.C. 78q–1(b)(3)(F).

[68] *Id.*

[69] 15 U.S.C. 78q–1(b)(3)(F).

[70] 15 U.S.C. 78s(b)(2).

[71] 15 U.S.C. 78q–1.

[72] In approving the Amended Proposed Rule Changes, the Commission considered the proposals' impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

[73] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–82391; File No. SR–PEARL–2017–39]

Self-Regulatory Organizations; MIAX PEARL, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend MIAX PEARL Rule 510 To Extend the Penny Pilot Program

December 22, 2017.

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on December 11, 2017, MIAX PEARL LLC (''MIAX PEARL'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'') a 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 is filing a proposal to amend Exchange Rule 510, Interpretations and Policies .01 to extend the pilot program for the quoting and trading of certain options in pennies.

The text of the proposed rule change is available on the Exchange's website at *http://www.miaxoptions.com/rule-filings/pearl,* at MIAX PEARL's principal office, 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.

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

[2] 17 CFR 240.19b–4.