

be excessive. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and to attract order flow to the Exchange. Based on publicly-available information, and excluding index-based options, no single exchange has more than approximately 13% of the market share of executed volume of multiply-listed equity and ETF options trades.<sup>16</sup> Therefore, currently no exchange possesses significant pricing power in the execution of multiply-listed equity and ETF options order flow. More specifically, for the month of June 2023, the Exchange had a market share of 3.04% of executed volume of multiply-listed equity and ETF options trades.<sup>17</sup>

*C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

Written comments were neither solicited nor received.

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

The foregoing rule changes has become effective pursuant to section 19(b)(3)(A)(ii) of the Act<sup>18</sup> and Rule 19b-4(f)(2)<sup>19</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

**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 (<http://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-EMERALD-2023-20 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange

Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-EMERALD-2023-20. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. 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-EMERALD-2023-20 and should be submitted on or before September 5, 2023.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

**Sherry R. Haywood,**  
*Assistant Secretary.*

[FR Doc. 2023-17304 Filed 8-11-23; 8:45 am]

**BILLING CODE 8011-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[SEC File No. 270-146, OMB Control No. 3235-0134]

**Proposed Collection; Comment Request; Extension: Rule 15c1-7**

*Upon Written Request, Copies Available From:* U.S. Securities and Exchange Commission, Office of FOIA Services, 100 F St NE, Washington, DC 20549-2736

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 ("PRA") (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission ("Commission") is soliciting comments on the existing collection of information provided for in Rule 15c1-7 (17 CFR 240.15c1-7) under the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*) ("Exchange Act"). The Commission plans to submit this existing collection of information to the Office of Management and Budget ("OMB") for extension and approval.

Rule 15c1-7 states that any act of a broker-dealer designed to effect securities transactions with or for a customer account over which the broker-dealer (directly or through an agent or employee) has discretion will be considered a fraudulent, manipulative, or deceptive practice under the federal securities laws, unless a record is made of the transaction immediately by the broker-dealer. The record must include (a) the name of the customer, (b) the name, amount, and price of the security, and (c) the date and time when such transaction took place.

The Commission estimates that 350 respondents collect information related to approximately 400,000 transactions annually under Rule 15c1-7 and that each respondent would spend approximately 5 minutes on the collection of information for each transaction, for a total time burden of approximately 33,333 hours per year (approximately 95.2 hours per respondent).

Written comments are invited on: (a) whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information shall have practical utility; (b) the accuracy of the Commission's estimates of the burden of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted by October 13, 2023.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information under the PRA unless it displays a currently valid OMB control number.

Please direct your written comments to: David Bottom, Director/Chief Information Officer, Securities and Exchange Commission, c/o John

<sup>16</sup> See *supra* note 13.

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

<sup>18</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>19</sup> 17 CFR 240.19b-4(f)(2).

<sup>20</sup> 17 CFR 200.30-3(a)(12).

Pezzullo, 100 F Street NE, Washington, DC 20549, or send an email to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov).

Dated: August 8, 2023.

**Sherry R. Haywood**,  
Assistant Secretary.

[FR Doc. 2023-17320 Filed 8-11-23; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-98086; File No. SR-NSCC-2022-015]

### Self-Regulatory Organizations; National Securities Clearing Corporation; Order Approving a Proposed Rule Change To Make Certain Enhancements to the Gap Risk Measure and the VaR Charge

August 8, 2023.

#### I. Introduction

On December 2, 2022, National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change SR-NSCC-2022-015 (the “Proposed Rule Change”) 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> The Proposed Rule Change was published for comment in the **Federal Register** on December 21, 2022,<sup>3</sup> and the Commission has received one comment regarding the changes proposed in the Proposed Rule Change.<sup>4</sup>

On January 24, 2023, pursuant to section 19(b)(2) of the Act,<sup>5</sup> the Commission designated a longer period within which to approve, disapprove, or institute proceedings to determine whether to approve or disapprove the Proposed Rule Change.<sup>6</sup> On March 20, 2023, the Commission instituted proceedings, pursuant to section 19(b)(2)(B) of the Act,<sup>7</sup> to determine whether to approve or disapprove the Proposed Rule Change.<sup>8</sup> On June 8, 2023, the Commission designated a longer time period, pursuant to section

19(b)(2)(B)(ii)(II) of the Act,<sup>9</sup> to determine whether to approve or disapprove the Proposed Rule Change.<sup>10</sup>

For the reasons discussed below, the Commission is approving the Proposed Rule Change.

#### II. Description of the Proposed Rule Change<sup>11</sup>

NSCC provides clearing, settlement, risk management, central counterparty services, and a guarantee of completion for virtually all broker-to-broker trades involving equity securities, corporate and municipal debt securities, and unit investment trust transactions in the U.S. markets. A key tool that NSCC uses to manage its credit exposure to its members is collecting an appropriate amount of margin (*i.e.*, collateral) from each member.<sup>12</sup>

##### A. Overview of NSCC’s Margin Methodology

A member’s margin is designed to mitigate potential losses to NSCC associated with the liquidation of the member’s portfolio in the event that member defaults.<sup>13</sup> The aggregate of all members’ margin deposits (together with certain other deposits required under the Rules) constitutes NSCC’s clearing fund. NSCC would access its clearing fund should a defaulting member’s own margin and resources at NSCC be insufficient to satisfy losses to NSCC caused by the liquidation of that member’s portfolio.<sup>14</sup>

NSCC employs daily backtesting to determine the sufficiency of each member’s margin, by simulating the liquidation gains or losses using the actual unsettled positions in the member’s portfolio, and the actual historical returns for each security held in the portfolio. A backtesting deficiency would result if the liquidation losses were greater than the member’s margin. NSCC investigates the causes of any backtesting deficiencies,

paying particular attention to members with backtesting deficiencies that bring the results for that member below the 99 percent confidence target (*i.e.*, greater than two backtesting deficiency days in a rolling twelve-month period) to determine if there is an identifiable cause of repeat backtesting deficiencies.<sup>15</sup> NSCC also evaluates whether multiple members may experience backtesting deficiencies for the same underlying reason.<sup>16</sup>

Each member’s margin consists of a number of applicable components, each of which is calculated to address specific risks faced by NSCC.<sup>17</sup> Each member’s start of day required fund deposit is calculated overnight, based on the member’s prior end-of-day net unsettled positions.<sup>18</sup> NSCC notifies members early the following morning, and members are required to make deposits by approximately 10:00 a.m. EST.<sup>19</sup>

Generally, the largest portion of a member’s margin is the volatility component. The volatility component is designed to reflect the amount of money that could be lost on a portfolio over a given period within a 99th percentile level of confidence. This component represents the amount assumed necessary to absorb losses while liquidating the member’s portfolio.

NSCC’s methodology for calculating the volatility component of a member’s required fund deposit depends on the type of security and whether the security has sufficient pricing or trading history for NSCC to robustly estimate the volatility component using statistical techniques. Generally, for most securities (*e.g.*, equity securities), NSCC calculates the volatility component using, among other things, a parametric Value at Risk (“VaR”) model, which results in a “VaR Charge.”<sup>20</sup> The VaR Charge usually comprises the largest portion of a member’s required fund deposit.

##### B. Current Treatment of Gap Risk in NSCC’s Margin Methodology

Under NSCC’s current Rules, one of the potential methods of calculating the

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 96511 (Dec. 15, 2022), 87 FR 78157 (Dec. 21, 2022) (File No. SR-NSCC-2022-015) (“Notice of Filing”).

<sup>4</sup> Comments are available at <https://www.sec.gov/comments/sr-nsc-2022-015/srnsc2022015.htm>.

<sup>5</sup> 15 U.S.C. 78s(b)(2).

<sup>6</sup> Securities Exchange Act Release No. 96740 (Jan. 24, 2023), 88 FR 5953 (Jan. 30, 2023) (File No. SR-NSCC-2022-015).

<sup>7</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>8</sup> Securities Exchange Act Release No. 97171 (Mar. 20, 2023), 88 FR 17898 (Mar. 24, 2023) (File No. SR-NSCC-2022-015).

<sup>9</sup> 15 U.S.C. 78s(b)(2)(B)(ii)(II).

<sup>10</sup> Securities Exchange Act Release No. 97671 (June 8, 2023), 88 FR 38926 (June 14, 2023) (File No. SR-NSCC-2022-015).

<sup>11</sup> Capitalized terms not defined herein are defined in NSCC’s Rules & Procedures (“Rules”), available at [https://www.dtcc.com/-/media/Files/Downloads/legal/rules/nsc\\_rules.pdf](https://www.dtcc.com/-/media/Files/Downloads/legal/rules/nsc_rules.pdf).

<sup>12</sup> Pursuant to its Rules, NSCC uses the term “Required Fund Deposit” to denote margin or collateral collected from its members. See Rule 4 (Clearing Fund) and Procedure XV (Clearing Fund Formula and Other Matters) of the Rules, *supra* note 11.

<sup>13</sup> Under NSCC’s Rules, a default would generally be referred to as a “cease to act” and could encompass a number of circumstances, such as a member’s failure to make a margin payment on time. See Rule 46 (Restrictions on Access to Services) of the Rules, *supra* note 11.

<sup>14</sup> See Rule 4, *supra* note 11.

<sup>15</sup> See National Securities Clearing Corporation, Disclosure Framework for Covered Clearing Agencies and Financial Market Infrastructures, at 61 (Dec. 2022), available at <https://www.dtcc.com/legal/policy-and-compliance>.

<sup>16</sup> See *id.*

<sup>17</sup> See Procedure XV of the Rules, *supra* note 11.

<sup>18</sup> See Procedure XV, Sections II(B) of the Rules, *supra* note 11.

<sup>19</sup> See *id.* The Rules provide that required deposits to the clearing fund are due within one hour of demand, unless otherwise determined by NSCC. *Id.*

<sup>20</sup> See Sections I(A)(1)(a)(i) and I(A)(2)(a)(i) of Procedure XV of the Rules, *supra* note 11.