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Required fields are shown with yellow backgrounds and asterisks.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2020 - * 016
Amendment No. (req. for Amendments *) 1

Filing by National Securities Clearing Corporation

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☐	☑	☐	☑	☐	☐

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Jacqueline Last Name * Chezar

Title * Executive Director and Associate General Counsel

E-mail * jfarinella@dtcc.com

Telephone * (212) 855-3216 Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 08/13/2020

By Nikki Poulos

(Name *)

(Title *)

Managing Director and Deputy General Counsel

npoulos@dtcc.com

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information * Add Remove View	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications Add Remove View Exhibit Sent As Paper Document ☐	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☐	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Amendment No. 1 to SR-NSCC-2020-016

National Securities Clearing Corporation is filing this partial amendment to SR-NSCC-2020-016 ("Proposed Rule Change"), which was filed with the Securities and Exchange Commission ("Commission") on July 30, 2020.

Please replace the text on pages 6 and 25 of the Proposed Rule Change with the following text (~~**bold, strikethrough text**~~ indicates deletions from the original proposed text):

***

Rather than calculate the market impact cost for each CUSIP, NSCC's MLA charge would estimate market impact cost at the portfolio-level using aggregated ~~**CUSIP-level**~~ volume data.

***

Please replace the text on pages 7-8 of the Proposed Rule Change with the following text (**<u>bold, underlined text</u>** represents additional language to the original proposed text; ~~**bold, strikethrough text**~~ indicates deletions from the original proposed text):

***

Market Impact Cost Calculation for Market Capitalization Subgroups of Equities Asset Group

The market impact cost for each Net Unsettled Position in a market capitalization subgroup of the equities asset group would be calculated by multiplying four components: (1) an impact cost coefficient that is a multiple of the one-day market volatility of that subgroup and is designed to measure impact costs, (2) the gross market value of the Net Unsettled Position in that subgroup, (3) the square root of the gross market value of the Net Unsettled Position in that subgroup in the portfolio **<u>divided by an assumed percentage of the average daily trading volume of that subgroup</u>** ~~**measured as a percentage of the average daily trading volume of that subgroup (as described in greater detail below)**~~, and (4) a measurement of the concentration of the Net Unsettled Position in that subgroup in the portfolio (as described in greater detail below).[14]

~~**NSCC represents that its measurement of the gross market value of the Net Unsettled Position would be calculated using the gross market value of the portfolio, divided by the average daily trading volume of that subgroup multiplied by an assumed percentage of available market volume for that subgroup.**~~ NSCC also represents that its measurement of the concentration of the Net Unsettled Position in the portfolio would include aggregating the relative weight of each CUSIP in that Net Unsettled Position relative to the weight of that CUSIP in the subgroup, such that a portfolio with fewer positions in a subgroup would have a higher measure of concentration for that subgroup.[15]

Market Impact Cost Calculation for the Other Asset Groups and Equities Subgroups

The market impact cost for Net Unsettled Positions in the municipal bond, corporate bond, Illiquid Securities and UIT asset groups, and for Net Unsettled Positions in the treasury ETP and other ETP subgroups of the equities asset group would be calculated by multiplying three components: (1) an impact cost coefficient that is a multiple of the one-day market volatility of that asset group or subgroup, (2) the gross market value of the Net Unsettled Position in that asset group or subgroup, and (3) the square root of the gross market value of the Net Unsettled Position in that subgroup in the portfolio **<u>divided by an assumed percentage of the average daily trading volume of that subgroup</u>** **~~measured as a percentage of the average daily trading volume of that asset group or subgroup~~**.[16]

~~As noted above, NSCC represents that the measurement of the market value of the Net Unsettled Position would be calculated using the gross market value of the portfolio, divided by the average daily trading volume of that asset group or subgroup multiplied by an assumed percentage of available market volume for that asset group or subgroup.~~

***

Please replace the text on pages 27-28 of the Proposed Rule Change with the following text (**<u>bold, underlined text</u>** represents additional language to the original proposed text; **~~bold, strikethrough text~~** indicates deletions from the original proposed text):

***

Market Impact Cost Calculation for Market Capitalization Subgroups of Equities Asset Group

The market impact cost for each Net Unsettled Position in a market capitalization subgroup of the equities asset group would be calculated by multiplying four components: (1) an impact cost coefficient that is a multiple of the one-day market volatility of that subgroup and is designed to measure impact costs, (2) the gross market value of the Net Unsettled Position in that subgroup, (3) the square root of the gross market value of the Net Unsettled Position in that subgroup in the portfolio **<u>divided by an assumed percentage of the average daily trading volume of that subgroup</u>** **~~measured as a percentage of the average daily trading volume of that subgroup (as described in greater detail below)~~**, and (4) a measurement of the concentration of the Net Unsettled Position in that subgroup in the portfolio (as described in greater detail below).[17]

~~NSCC represents that its measurement of the gross market value of the Net Unsettled Position would be calculated using the gross market value of the portfolio, divided by the average daily trading volume of that subgroup multiplied by an assumed percentage of available market volume~~

~~**for that subgroup.**~~ NSCC also represents that its measurement of the concentration of the Net Unsettled Position in the portfolio would include aggregating the relative weight of each CUSIP in that Net Unsettled Position relative to the weight of that CUSIP in the subgroup, such that a portfolio with fewer positions in a subgroup would have a higher measure of concentration for that subgroup.[18]

Market Impact Cost Calculation for the Other Asset Groups and Equities Subgroups

The market impact cost for Net Unsettled Positions in the municipal bond, corporate bond, Illiquid Securities and UIT asset groups, and for Net Unsettled Positions in the treasury ETP and other ETP subgroups of the equities asset group would be calculated by multiplying three components: (1) an impact cost coefficient that is a multiple of the one-day market volatility of that asset group or subgroup, (2) the gross market value of the Net Unsettled Position in that asset group or subgroup, and (3) the square root of the gross market value of the Net Unsettled Position in that subgroup in the portfolio **divided by an assumed percentage of the average daily trading volume of that subgroup** ~~**measured as a percentage of the average daily trading volume of that asset group or subgroup**~~.[19]

~~**As noted above, NSCC represents that the measurement of the market value of the Net Unsettled Position would be calculated using the gross market value of the portfolio, divided by the average daily trading volume of that asset group or subgroup multiplied by an assumed percentage of available market volume for that asset group or subgroup.**~~

***

Please replace the text on pages 9 and 29-30 of the Proposed Rule Change with the following text (**bold, underlined text** represents additional language to the original proposed text; ~~**bold, strikethrough text**~~ indicates deletions from the original proposed text):

***

If the ratio of these two amounts is equal to or less than this threshold, an MLA charge would not be applied to that asset group or subgroup. The threshold would be based on an estimate of the market impact cost that is incorporated into the calculation of the applicable 1- day volatility charge, such that an MLA charge would apply only when the calculated market impact cost exceeds this threshold.

When applicable, an MLA charge for each asset group or subgroup would be calculated as a proportion of the product of (1) the amount by which the ratio of the calculated market impact cost to the applicable 1-day volatility charge exceeds the threshold, and (2) the 1-day volatility charge allocated to that asset group or subgroup.

For each Member portfolio, NSCC would add the MLA charges for Net Unsettled Positions in each of the subgroups of the equities asset group to determine an MLA charge for the Net Unsettled Positions in the equities asset group. NSCC would then add the MLA charge for Net Unsettled Positions in the equities asset group with each of the MLA charges for Net Unsettled Positions in the other asset groups to determine a total MLA charge for a Member.

***

Please replace the text on pages 328-329 of the Proposed Rule Change with the following text (**bold, underlined, yellow highlighted text** represents additional language to the original proposed text; **~~bold, strikethrough, yellow highlighted text~~** indicates deletions from the original proposed text):

***

i. **For Net Unsettled Positions in the market capitalization subgroups of the equities asset group, by multiplying four components:**

1. **an impact cost coefficient that is a multiple of the one-day market volatility of that subgroup,**

2. **the gross market value of the Net Unsettled Position in that subgroup,**

3. **the square root of the gross market value of the Net Unsettled Position in that subgroup in the portfolio divided by an assumed percentage of the average daily trading volume of that subgroup** **~~measured as a percentage of the average trading volume of that subgroup~~**, **and**

4. **a measurement of the concentration of each Net Unsettled Position in that subgroup.**

ii. **For Net Unsettled Positions in the Illiquid Securities, UIT, municipal bond, and corporate bond asset groups and for Net Unsettled Positions in the treasury ETP and other ETP subgroups of the equities asset group, by multiplying three components:**

1. **an impact cost coefficient that is a multiple of the one-day market volatility of that asset group or subgroup,**

2. **the gross market value of the Net Unsettled Position in that asset group or subgroup, and**

3. **the square root of the gross market value of the Net Unsettled Position in that subgroup in the portfolio divided by an assumed percentage of the average daily trading volume of that asset group or subgroup ~~measured as a percentage of the average trading volume of that asset group or subgroup~~.**

For each asset group and equities subgroup, the calculated market impact cost shall be compared to a portion of the volatility charge applicable to Net Unsettled Positions (as determined by Section I.(A)(1)(a) of this Procedure XV). If the ratio of the calculated market impact cost to the portion of the volatility charge is greater than a threshold, to be determined by the Corporation from time to time, an MLA charge will be applicable to that asset group or subgroup. If the ratio of these two amounts is equal to or less than the threshold, an MLA charge will not be applicable to that asset group or subgroup.

When applicable, an MLA charge for each asset group or subgroup would be calculated as a proportion of the product of (1) the amount by which the ratio of the calculated market impact cost to the applicable 1-day volatility charge exceeds the threshold, and (2) the 1-day volatility charge allocated to that asset group or subgroup.

All MLA charges for each of the equities subgroups shall be added together to result in one MLA charge for the equities subgroup. All MLA charges for each of the asset groups shall be added together to result in a total MLA charge.

***

Please replace the text on pages 331-332 of the Proposed Rule Change with the following text (**bold, underlined, yellow highlighted text** represents additional language to the original proposed text; ~~**bold, strikethrough, yellow highlighted text**~~ indicates deletions from the original proposed text):

***

i. **For Net Balance Order Unsettled Positions in the market capitalization subgroups of the equities asset group, by multiplying four components:**

1. **an impact cost coefficient that is a multiple of the one-day market volatility of that subgroup,**

2. **the gross market value of the Net Unsettled Balance Order Position in that subgroup,**

3. the square root of the gross market value of the Net Balance Order Unsettled Position in that subgroup in the portfolio divided by an assumed percentage of the average daily trading volume of that subgroup ~~measured as a percentage of the average trading volume of that subgroup~~, and

4. a measurement of the concentration of each Net Balance Order Unsettled Position in that subgroup.

ii. For Net Balance Order Unsettled Positions in the Illiquid Securities, UIT, municipal bond, and corporate bond asset groups and for Net Unsettled Positions in the treasury ETP and other ETP subgroups of the equities asset group, by multiplying three components:

1. an impact cost coefficient that is a multiple of the one-day market volatility of that asset group or subgroup,

2. the gross market value of the Net Balance Order Unsettled Position in that asset group or subgroup, and

3. the square root of the gross market value of the Net Balance Order Unsettled Position in that subgroup in the portfolio divided by an assumed percentage of the average daily trading volume of that asset group or subgroup ~~measured as a percentage of the average trading volume of that asset group or subgroup~~.

For each asset group and equities subgroup, the calculated market impact cost shall be compared to a portion of the volatility charge applicable to Net Balance Order Unsettled Positions (as determined by Section I.(A)(2)(a) of this Procedure XV). If the ratio of the calculated market impact cost to the portion of the volatility charge is greater than a threshold, to be determined by the Corporation from time to time, an MLA charge will be applicable to that asset group or subgroup. If the ratio of these two amounts is equal to or less than the threshold, an MLA charge will not be applicable to that asset group or subgroup.

When applicable, an MLA charge for each asset group or subgroup would be calculated as a proportion of the product of (1) the amount by which the ratio of the calculated market impact cost to the

<u>applicable 1-day volatility charge exceeds the threshold, and (2) the 1-day volatility charge allocated to that asset group or subgroup.</u>

<u>All MLA charges for each of the equities subgroups shall be added together to result in one MLA charge for the equities subgroup. All MLA charges for each of the asset groups shall be added together to result in a total MLA charge.</u>

***

On pages 46-48 of the Proposed Rule Change, please replace the text of Exhibit 3a (Impact Study Data) of the Proposed Rule Change in its entirety with the following text (The following pages are redacted and filed separately with the Commission. Confidential treatment of such is being requested pursuant to 17 CFR 240.24b-2.):

PAGE REDACTED IN ITS ENTIRETY

PAGE REDACTED IN ITS ENTIRETY

PAGE REDACTED IN ITS ENTIRETY