

Petition for Rulemaking: Amend Clearing Agency Rules for Consistent Close C

Dear Ms. Countryman,

As a retail investor, I respectfully submit this petition for rulemaking pursuant to Rule 192 of the Securities and Exchange Commissions (SEC) Rules of Practice, to request that the SEC amend Rules 18 and 22 of National Securities Clearing Corporation (NSCC) Rules & Procedures to provide investors with clarity and certainty regarding settlement of guaranteed transactions, strengthen the resilience of a registered Clearing agency (e.g., the NSCC) for their role as a central counterparty (CCP), and support the stability of our financial markets and financial system by incentivizing appropriate risk management practices by market participants.

Background

It has come to the attention of retail investors, like myself, that NSCC Rules and Procedures do not codify strict procedures for closing out positions (e.g., in the event of a Member default). Per NSCCs Disclosure Framework for Covered Clearing Agencies and Financial Market Infrastructures, As a cash market CCP, if a Member defaults, NSCC will need to complete settlement of guaranteed transactions on the failing Members behalf. However, NSCC Rule 18 SEC. 6(a) contains a

provision that if, in the opinion of the Corporation, the close out of a position in a specific security would create a disorderly market in that security, then the completion of such close-out shall be in the discretion of the Corporation.

Concerns and Questions

Retail investors are concerned about potential market distortion and manipulation arising from the discretion afforded to the NSCC regarding the completion of close-outs. The following questions arise:

1. What is the underlying root cause of the disorderly market?
2. How can this lead to market distortions and/or manipulation?
3. Who is responsible for the costs of closing out a position which would create a disorderly market?
4. How do we fix this?

Proposed Changes

I request that the NSCC modify Rules 4, 18, and 22 of the NSCCs Rules and Procedures to:

- Codify strict procedures for completing settlement of guaranteed transactions.
- Remove ambiguity and discretion.
- Enhance the liquidity and resilience of SIFMUs, particularly registered Clearing agencies such as the NSCC and OCC.
- Incentivize appropriate risk management practices.

These proposed changes will help align the interests of market participants, ensure transparency, and safeguard against systemic risks caused by the accumulation of risky positions.

Final Remarks

As a retail investor, I believe these enhancements to NSCC Rules 4, 18, and 22 will protect investors, maintain fair, orderly, and efficient markets, and foster a level playing field for all participants. The proposed amendments will also support overall financial market stability and disincentivize risky behavior from market participants.

Sincerely,

A Concerned Retail Investor

