



WILSON-DAVIS & CO., INC.

May 1, 2020

VIA EMAIL
rule-comments@sec.gov

U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: SR-NSCC-2020-003

SECURITIES AND EXCHANGE COMMISSION (Release No. 34-88474; File No. SR-NSCC-2020-003) March 25, 2020 (the "Proposing Release")

Self-Regulatory Organizations; National Securities Clearing Corporation

Notice of Filing of Proposed Rule Change to Enhance National Securities Clearing Corporation's Haircut-Based Volatility Charge Applicable to Illiquid Securities and UITs and Make Certain Other Changes to Procedure XV

Ladies and Gentlemen:

We are a 50+-year-old correspondent clearing firm in the Intermountain West with customers across the nation. We principally handle securities liquidation resales for our own customers and for the customers of the firm for which we clear on a fully disclosed basis. Frequently, the access that we provide to holders of low-priced securities fulfills a very limited niche through which private investors in small businesses can obtain liquidity for their securities. Investor liquidity is a fundamental requirement for small companies to be able to initially attract investment equity. Without assured liquidity channels, private investment would dry up for many start-up or otherwise capital deficient small companies. Our role is critical to our customers, small businesses, and in turn, the formation of capital in our system. Similarly, the liquidity we help provide fulfills a real need of small investors who have long voted with their dollars to fund small and emerging enterprises.

As we provide liquidity and devote the required capital to those activities, it is critical that we are able to predict the financial consequences of our activities and their impact on our own liquidity needs. The Proposing Release does not accomplish that result and does not, consequently, discharge the obligation of the National Security Clearing Corporation ("NSCC") under Rules 17Ad-22(e)(4)(i) and Rule 17Ad-22(e)(6)(i) and (v) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), for the reasons noted below.

Wilson-Davis & Company, Inc.

U.S. Securities and Exchange Commission
May 1, 2020
Page 2

Request for Extended Comment Period

The above notice and request for comment is dated March 25, 2020 and follows a rule change proposal filed with the SEC on March 16, 2020. The Proposing Release notes that the NSCC “has not received or solicited any written comments relating to this rule proposal.” Proposing Release, p. 42. The Proposing Release further notes on the same page that the SEC may take further action respecting the proposal after 45 days after the March 25, 2020, the Federal Register publication date.

These periods, albeit perhaps typical in the rule approval process, are inappropriate in these unique times. All potentially affected brokerage firms, small and large, are adjusting to significantly impacted operating and logistical issues. Almost all have implemented Business Continuity Plans, to one extent or another, as governing authorities have required closure of physical facilities where people work together. In our case, we successfully and promptly implemented our Business Continuity Plan. As a result, our offices have been closed since March 10, 2020, and all executive personnel and registered representatives are working remotely, typically from home. Our attorneys and other professional advisers are also operating remotely. The necessity of reviewing, analyzing, and commenting on the Proposing Release imposes unreasonable and easily avoidable effort and expense in these circumstances.

The SEC has itself recognized the hardship that the government-enacted shelter-at-home and non-essential business closure requirements have imposed on the financial community by granting reporting companies a 45-day exemption from filing periodic reports required during this period under the Exchange Act, even during this critical time when calendar-year-end companies otherwise would be obligated to file periodic reports. The only thing a reporting company must do in order to take advantage of the extension is to file a Current Report on Form 8-K to claim it. Ironically, the SEC took this action to delay reporting obligations on the very day the Proposing Release was published in the Federal Register. *See SEC Press Release 2020-73: SEC Extends Conditional Exemptions from Reporting and Proxy Delivery Requirements for Public Companies, Funds, and Investment Advisers Affected by Coronavirus Disease 2019 (COVID-19)--Division of Corporation Finance Issues Related Disclosure and Other Guidance. ... SEC Continues to Closely Monitor Impact of Coronavirus on Investors and Capital Markets.* Notwithstanding the SEC subhead line to the effect that it would continue to monitor the impact of COVID-19 on the capital markets, the Proposing Release slipped into the Federal Register.

Based on the foregoing, we request at least a 45-day extension of the comment period on the Proposing Release.

The Changes Outlined in the Rule Proposal Do Not Satisfy Fundamental Principles of Due Process and Fairness.

Notwithstanding the NSCC’s stated desire to achieve transparency, in fact, the NSCC’s current practices and the changes in the Proposing Release continue the practice and policies of the NSCC to rely on undisclosed “models” and calculations that do provide its members or the industry

Wilson-Davis & Company, Inc.

U.S. Securities and Exchange Commission
May 1, 2020
Page 3

with sufficiently clear, unambiguous rules to guide compliant conduct. In operation, these secret models and calculations are used by the NSCC to act, frequently in the form of overnight imposed illiquidity changes, without explanation or justification.

In fact, the broad regulatory concepts outlined in the Proposing Release are so general that it is impossible to submit focused, precise, and meaningful comments. We are unable to glean any indication from the proposing release of the likely financial and operating impacts of the proposals. What is the measure of projected NSCC risk production? How will the proposals impact our day-to-day liquidity requirements? Without substantial additional clarification and detail, we are unable to appreciate the likely and reasonable impact of the proposed changes. We request additional detail and clarification within an extended comment period with sufficient time to develop and submit considered comments.

The Changes Outlined in the Rule Proposal Fail to Provide Remedial Guidance

One of the fundamental burdens of NSCC is to design rules to “assure the safeguarding of securities and funds which are in the custody or control of the clearing agency and for which it is responsible.” Proposing Release at p. 30. A more holistic, thorough, helpful approach would be to transparently disclose the models and calculations on which the NSCC relies, so that they that could be used by individual firms and information/service providers to assist them in avoiding high-risk transactions and positions before they place any firm or the system at risk. That would be true transparency and a real contribution to safeguarding the securities and funds of NSCC as well as its member firms.

Further Comments

We reserve the right to submit additional substantive comments when additional time permits.

We will be happy to respond to your questions respecting the foregoing comments or the Proposing Release.

Sincerely,

WILSON-DAVIS & CO., INC.

James C. Snow
President/CCO

Enclosures