

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-101131; File No. SR-NSCC-2024-008)

September 23, 2024

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change to Decommission the ID Net Service

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> notice is hereby given that on September 12, 2024, National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of amendments to the NSCC Rules & Procedures (“Rules”) to decommission the ID Net service (“ID Net Service” or “ID Net”), as described in greater detail below.<sup>3</sup>

II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency 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

---

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

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

<sup>3</sup> Capitalized terms not defined herein shall have the meaning assigned to such terms in the Rules, available at [www.dtcc.com/legal/rules-and-procedures.aspx](http://www.dtcc.com/legal/rules-and-procedures.aspx).

Item IV below. The clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

(A) Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this proposed rule change is to amend the NSCC Rules to permit NSCC to decommission the ID Net Service, a joint service of NSCC and its affiliate, The Depository Trust Company (“DTC”). The proposed rule change is discussed in detail below.

(i) Background

The ID Net Service is a joint service offering of NSCC and DTC that allows broker/dealer users to net their affirmed institutional equity trades with other trades that they may have in NSCC’s Continuous Net Settlement system (“CNS”).<sup>4</sup> CNS is NSCC’s system for accounting and settling CNS-eligible securities.<sup>5</sup> To be CNS-eligible, a security must be eligible for book-entry transfer on the books of DTC and must be capable of being processed in the CNS system. All eligible compared and recorded transactions for a particular settlement date are netted by issue into one net long (buy), net short (sell) or flat position for each Member. As a continuous net system, those positions are further netted with positions of the same issue that remain open after their originally scheduled settlement date. NSCC, as central counterparty, becomes the contra-party for settlement purposes, assuming the obligation of its Members that are receiving securities to receive and pay for those securities, and the obligation of Members

---

<sup>4</sup> DTC also filed a proposed rule change with the Commission in connection with the retirement of the ID Net Service. See DTC filing SR-DTC-2024-010.

<sup>5</sup> See NSCC Rule 11 (describing the CNS System) and Procedure VII (describing the CNS Accounting Operation), supra note 3.

that are delivering securities to make the delivery. CNS netting thus reduces the costs associated with securities transfers by reducing the number of securities movements required to settle transactions. ID Net is a voluntary service available to broker/dealers that are participants of both NSCC and DTC and banks that are participants of DTC.

DTC may accept affirmed institutional transactions<sup>6</sup> (“Affirmed Transactions”) from a matching utility (“Matching Utility”).<sup>7</sup> An Affirmed Transaction submitted to DTC is processed on a trade-for-trade basis at DTC, unless it is designated for ID Net processing by the Matching Utility and meets certain eligibility requirements, as described below.

In order for an Affirmed Transaction to be eligible for processing in ID Net, (i) both counterparties to the Affirmed Transaction must be a Member of NSCC and a Participant of DTC, or a bank that is a Participant of DTC, that has subscribed to ID Net and (ii) the transaction must be (a) in a security eligible for processing through CNS and (b) affirmed within established timeframes set forth in the DTC Settlement Service Guide.<sup>8</sup>

---

<sup>6</sup> An institutional transaction is one between a broker/dealer and its institutional customer. Such institutional customers are not Participants of DTC. Therefore, the counterparties on an Affirmed Transaction submitted by a Matching Utility to DTC are a (i) DTC Participant, acting as clearing broker to the Affirmed Transaction and (ii) DTC Participant bank, acting as the custodian for an institutional customer.

<sup>7</sup> The Matching Utility must be (i) a clearing agency registered with the Commission (ii) an entity that has obtained an exemption from such registration from the Commission, or (iii) a “qualified vendor” for trade confirmation/affirmation services as defined by the rules of a self-regulatory organization. See DTC Settlement Service Guide at 38, available at [www.dtcc.com/-/media/Files/Downloads/legal/service-guides/Settlement.pdf](http://www.dtcc.com/-/media/Files/Downloads/legal/service-guides/Settlement.pdf). DTCC ITP Matching (US) LLC (“ITP”), an NSCC and DTC affiliate, is currently the only Matching Utility that submits Affirmed Transactions to DTC.

<sup>8</sup> See DTC Settlement Service Guide, supra note 7 at 40-41.

If an Affirmed Transaction is designated for ID Net and meets the eligibility criteria described above, then DTC will direct the transaction to ID Net, which facilitates the netting of a broker/dealer's side of an Affirmed Transaction with that broker/dealer's CNS activity, via omnibus accounts, that are maintained by NSCC at DTC and designated for ID Net activity. If a bank is a counterparty to the ID Net-eligible Affirmed Transaction, then it will either receive or deliver the subject shares versus payment, on a trade-for-trade basis, via the ID Net omnibus accounts.

While ID Net was designed to allow broker/dealers to realize the benefit of netting for Affirmed Transactions by allowing the broker/dealer to net its ID Net-eligible Affirmed Transactions with its transactions in CNS, banks using ID Net settle ID Net transactions on a trade-for-trade basis as they would for other Affirmed Transactions, as described above. In this regard, ID Net's main benefit is to streamline clearance and settlement of ID Net-eligible Affirmed Transactions for broker/dealers.

The ID Net Service is primarily described in NSCC Rule 65 and Procedure XVI of the Rules.

(ii) Proposed Changes to the Rules

NSCC and DTC continually evaluate the efficiency and effectiveness of the services they each provide. As part of these evaluations, and in furtherance of their ongoing modernization efforts, NSCC and DTC are seeking to streamline and simplify their services and processes, including through the elimination of underutilized services. NSCC and DTC have identified ID Net as an underused service that may be eliminated as part of these modernization efforts. They each propose to retire the ID Net Service due to a number of factors, which include: (i) limited uptake and usage of the service since its adoption; (ii) the operational complexity of maintaining

the service, which also connects with and impacts other core clearance and settlement processes;<sup>9</sup> and (iii) the prior elimination of the NSCC Clearing Fund offset for ID Net transactions.<sup>10</sup>

To implement the proposed change, NSCC would remove Rule 65 and Procedure XVI from the Rules and make other conforming changes throughout the Rules to reflect the retirement of the service. The ID Net Service is primarily described in NSCC Rule 65 and Procedure XVI, and these rules would no longer be necessary or relevant upon the retirement of the ID Net Service. As a result, Rule 65 and Procedure XVI would be deleted in their entirety and would be reserved for future use by NSCC.

NSCC would also remove associated defined terms “Eligible ID Net Security” and “ID Net Subscriber” from Rule 1 and remove a reference to ID Net transactions from the definition of “Net Unsettled Position” in Rule 1. In addition, NSCC would remove Section 1(f) of Rule 3, concerning certain lists required to be maintained by NSCC, to reflect that NSCC would no longer be required to maintain a list of Eligible ID Net Securities and would make a conforming change to renumber existing Section 1(g) of Rule 3 to Section 1(f). NSCC would also remove Section 2(a)(vii) of Rule 18, which concerns procedures for when NSCC ceases to act for a Member, to reflect that uncompleted ID Net Service transactions would no longer be considered for purposes of determining excluded transactions in a cease to act scenario.

---

<sup>9</sup> This complexity includes (i) special eligibility checks versus the ID Net eligibility criteria described above and (ii) leveraging of the above-mentioned omnibus accounts to simultaneously allow (a) a bank to process ID Net-eligible transactions on a trade-for-trade basis and (b) the broker/dealer side of an ID Net-eligible transaction to settle CNS.

<sup>10</sup> In 2021, NSCC adopted a proposed rule change to remove transactions processed through the ID Net Service from the calculation of Members’ Required Deposits to the Clearing Fund. See Securities Exchange Act Release No. 93070 (Sep. 20, 2021), 86 FR 53125 (Sep. 24, 2021) (SR-NSCC-2021-011).

Additionally, NSCC would modify Procedure VII, concerning its CNS Accounting Operation, to remove various references to the ID Net Service and ID Net transactions. Specifically, NSCC would revise the Introduction in Section A to remove a reference to Eligible ID Net Securities being included in CNS Securities for purpose of Procedure VII. NSCC would also modify Section D.1., concerning the process for exemptions from deliveries, to remove a statement regarding the treatment of securities available in an agency account established at a Qualified Securities Depository for the processing of transactions through the ID Net Service. In addition, NSCC would modify Section E.4, concerning the allocation algorithm for CNS deliveries, to remove a statement regarding the treatment of long positions in a receiving ID Net Subscriber's agency account established at a Qualified Securities Depository. NSCC would also delete Section H.5. of Procedure VII concerning the reporting of ID Net transactions on NSCC's Miscellaneous Activity Report and make conforming changes to renumber subsequent rules in Section H.

Finally, NSCC would update Section I.(A)(1)(b) of Procedure XV, concerning NSCC's Clearing Fund calculations, to remove a reference to ID Net transactions from the Mark-to-Market component of the Clearing Fund formula.

NSCC believes that the retirement of the ID Net Service would have minimal impact on its Members. Only 13 broker/dealers and 20 banks are subscribed to the ID Net Service, and the service is not used by all of those broker/dealers and banks.<sup>11</sup> Furthermore, Affirmed Transactions can simply settle trade-for-trade, directly between the counterparties, if not eligible

---

<sup>11</sup> Active users of the ID Net service constitute less than 10% of NSCC's full-service Members. NSCC believes that ID Net usage has been limited since its implementation in 2008 because, in part, the service needs both parties to an ID Net transaction to be subscribers of ID Net, as described above, which is not always the case.

for ID Net, like they do today. NSCC also notes that there would be minimal impact to risk management from both an NSCC and Member perspective given that the ID Net Service is a non-guaranteed service of NSCC<sup>12</sup> and there is no longer a Clearing Fund offset for ID Net transactions.<sup>13</sup>

NSCC has performed direct outreach to Members that use the ID Net Service and has also announced its plans to decommission the ID Net Service through Important Notice. There have been no material objections or concerns raised by Members.

#### Implementation Timeframe

Subject to approval by the Commission, DTC and NSCC would implement the proposed rule change using a phased approach. First, DTC Participants and NSCC Members have been informed that they may be unsubscribed from ID Net voluntarily at any time prior to termination of the service on November 15, 2024. Second, upon approval of the proposed rule change by the Commission prior to November 15, 2024, any DTC Participants and NSCC Members that have been inactive in the service for at least the last twelve (12) months will be offboarded from the service. Finally, NSCC and DTC will continue to fully support ID Net processing for any remaining active users until November 15, 2024, at which time the service will be fully retired. NSCC and DTC will work with their respective Members and Participants to support all required offboarding activities.

#### 2. Statutory Basis

NSCC believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. Section

---

<sup>12</sup> See NSCC Rule 65, Section 5(c), supra note 3.

<sup>13</sup> See supra note 10.

17A(b)(3)(F) of the Act<sup>14</sup> requires that the rules of a clearing agency be designed to, among other things, promote the prompt and accurate clearance and settlement of securities transactions.

NSCC believes the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act for the reasons stated below.

The proposed rule change would modify the NSCC Rules to decommission the ID Net Service because the service is hardly used yet challenging to maintain. As discussed above, NSCC believes that the retirement of the ID Net Service would have minimal impact on its Members, particularly given the limited usage of the service. Furthermore, Affirmed Transactions that would have otherwise been directed to ID Net can simply settle trade-for-trade, directly between the counterparties, like most other Affirmed Transactions do today. As a result, these transactions would continue to settle promptly and accurately, as other Affirmed Transactions do, outside of the ID Net Service. For these reasons, NSCC believes its Rules would continue to promote the prompt and accurate clearance and settlement of securities transactions in accordance with Section 17A(b)(3)(F) of the Act.<sup>15</sup>

(B) Clearing Agency's Statement on Burden on Competition

Section 17A(b)(3)(I) of the Act<sup>16</sup> requires that the rules of the clearing agency do not impose any burden on competition not necessary or appropriate in furtherance of the Act. NSCC does not believe the proposed rule change would present a burden on competition. While there may be some operational impact to the small segment of Members using the ID Net Service,

---

<sup>14</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>15</sup> Id.

<sup>16</sup> 15 U.S.C. 78q-1(b)(3)(I).



NSCC believes the operational impact to these Members and their clients would be minimal. While broker/dealer Members using the service may see some reduced netting benefit from eligible Affirmed Transactions being processed through CNS, NSCC does not believe the elimination of this service would rise to the level of a burden on Members given the limited usage of the service. Meanwhile, banks using ID Net would continue to process affected Affirmed Transactions trade-for-trade, albeit directly with their counterparties rather than the ID Net omnibus accounts, described above. Furthermore, NSCC notes that there would be no risk management impact for the proposed rule change given that the ID Net Service is a non-guaranteed service of NSCC and there is no Clearing Fund offset for ID Net transactions.<sup>17</sup> NSCC therefore believes the proposed rule change would not present any burden on competition.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

NSCC has not received or solicited any written comments relating to this proposal. If any written comments are received, they will be publicly filed as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission's instructions on how to submit comments, available at [www.sec.gov/regulatory-actions/how-to-submit-comments](http://www.sec.gov/regulatory-actions/how-to-submit-comments).

---

<sup>17</sup> See supra notes 10 and 12.

General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at [tradingandmarkets@sec.gov](mailto:tradingandmarkets@sec.gov) or 202-551-5777.

NSCC reserves the right not to respond to any comments received.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

### 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 (<https://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-NSCC-2024-008 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-NSCC-2024-008. 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 (<https://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 NSCC and on DTCC's website ([www.dtcc.com/legal/sec-rule-filings](http://www.dtcc.com/legal/sec-rule-filings)). 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-NSCC-2024-008 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>18</sup>

**Vanessa A. Countryman,**  
*Secretary.*

---

<sup>18</sup> 17 CFR 200.30-3(a)(12).