# IMPORTANT NOTICE

## National Securities Clearing Corporation

The Depository Trust & Clearing Corporation

**A#6546**

**P&S#6116**

**DATE:** December 13, 2007

**TO:** ALL PARTICIPANTS

**ATTENTION:** MANAGING PARTNER/OFFICER,
OPERATIONS PARTNER/OFFICER,
DIRECTOR OF OPERATIONS,
COMPLIANCE OFFICER,
CLEARING FUND MANAGEMENT PBS USERS

**FROM:** ENTERPRISE RISK MANAGEMENT

**SUBJECT:** ENHANCEMENTS TO NSCC's VaR METHODOLOGY

National Securities Clearing Corporation (NSCC) is announcing enhancements to the Value-at-Risk (VaR) component of its Clearing Fund methodology. These enhancements will be implemented in March 2008. NSCC will announce the effective date of these changes via subsequent NSCC Important Notice.

Specifically, the changes will:

- Increase the liquidation period from 2 days (currently) to 3 days for both the parametric and fixed income portions of VaR; and
- Increase the confidence level for portfolios of liquid stocks from 97.75% (currently) to 99% (note that the confidence level for portfolios of liquid bonds is already set at 99%).

These enhancements will provide better protection for NSCC and its Members. In addition, the move to a 99% confidence level is consistent with the recommendation issued by the International Organization of Securities Commissions (IOSCO) in its November 2004 report *Recommendations for Central Counterparties*.

During December 2007, DTCC Relationship Management and Risk Management will communicate to each Member the amount of any potential increase in its Clearing Fund requirement as a result of these changes. Any Member interested in discussing the impact that these changes will have on their firm with Risk Management staff may do so by scheduling a meeting through their DTCC relationship manager.

Prior to implementation, NSCC will begin providing Members with the extended liquidation calculation on a parallel basis so that they may become familiar with the change to their VaR charge.

A subsequent NSCC Important Notice will be issued with respect to this pre-implementation, parallel time period.

Questions regarding this notice should be addressed to your relationship manager, John Guarrera, Manager, Risk Management, at (212) 855-5768 or Barbara Hammel, Director, Risk Management, at (212) 855-5785.