

# **IMPORTANT NOTICE**

**National Securities Clearing Corporation**



**A#:** 7281  
**P&S#** 6851  
**Date:** SEPTEMBER 7, 2011  
**To:** ALL MEMBERS  
**Attention:** DIRECTOR OF OPERATIONS, OPERATIONS  
PARTNER/OFFICER, CLEARING FUND MANAGEMENT PBS  
USERS  
**From:** ENTERPRISE RISK MANAGEMENT  
**Subject:** PLANNED RISK MANAGEMENT CHANGES FOR 2011 –  
IMPLEMENTATION OF THE INCREASED CLEARING FUND  
CHARGES FOR ILLIQUID EQUITY POSITIONS

As announced in NSCC Important Notice A# 7136, P&S# 6706, dated January 7, 2011 and Important Notice A# 7243, P&S# 6813, dated July 12, 2011, NSCC is changing its risk management strategies in 2011 and these changes will impact the Clearing Fund requirements (Required Deposits) for Members. One of these changes involves increasing the Clearing Fund charges for illiquid equity positions. Today, positions in OTC Bulletin Board and Pink Sheet issues as well as issues with insufficient pricing history<sup>1</sup> are excluded from the volatility, or “VaR”, component of NSCC’s Clearing Fund formula, and are margined instead according to a haircut. This haircut, currently at 10%, will be increased to 20%, in order to achieve 99% coverage levels.

The eight (8) week parallel period which commenced July 18, 2011, is ending on September 9, 2011. All open positions as of close of business September 9, 2011 will be subject to the increased charge for illiquid equity positions.

This Important Notice applies solely to the implementation of the increase charge for illiquid equity positions. The implementation of other items outlined in the above referenced January 7, 2011 Important Notice will be detailed in future Important Notices.

## **Implementation**

As mentioned above, NSCC will implement this change for Members’ Required Deposits as of September 12, 2011. All open positions as of close of business September 9, 2011 will be subject to the increased charge for illiquid equity positions.

Questions regarding this notice should be addressed to your Relationship Manager, or Tim Hulse, Director, Enterprise Risk Management, at (212) 855-5641 or John Guarrera, Director, Enterprise Risk Management, at (212) 855-5768.

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<sup>1</sup> Note that this change does not apply to IPOs, which will continue to be subject to a 15% haircut.