

<b>A #:</b>	<b>7364</b>
<b>P&amp;S #:</b>	<b>6934</b>
<b>Date:</b>	<b>JANUARY 27, 2012</b>
<b>To:</b>	<b>ALL MEMBERS</b>
<b>Attention:</b>	<b>DIRECTOR OF OPERATIONS, OPERATIONS PARTNER/OFFICER, CLEARING FUND MANAGEMENT PBS USERS</b>
<b>From:</b>	<b>ENTERPRISE RISK MANAGEMENT</b>
<b>Subject:</b>	<b>REVISIONS TO NSCC CLEARING FUND METHODOLOGY</b>

National Securities Clearing Corporation (“NSCC”) will enhance our margin methodology to incorporate forward-looking volatility. Our solution is in response to the severe volatility spikes that occurred in the third quarter of 2011 and seeks to mitigate market risk from potential volatility increases not incorporated in our historical data (which forms the basis of the current Value at Risk (“VaR”) margin methodology).

To enhance the ability of our margin requirements to be more responsive to changes in volatility, we will augment our estimated historical volatility with forward-looking market volatility signals which will observe the relationship between the forward-looking volatility and the historical volatility. The VaR margin requirement will be adjusted by application of a multiplier based on a scaling factor in market circumstances where forward-looking volatility is higher than the historical volatility. We will calculate this multiplier based on the relationship between:

- i) the forward volatility per the CBOE VIX; **and**
- ii) the historical volatility of the S&P 500.

The addition of the forward looking market factor will have the effect of adjusting the VaR calculation to more accurately reflect current and near term volatility. The advantage of this approach is that as volatility subsides, so will the effect of the multiplier.

We have estimated the current multiplier is zero based on the current market data for NSCC. This is subject to change depending upon the market volatility.

We will implement a similar approach for, NSCC’s affiliate, The Fixed Income Clearing Corporation - Government Securities Division (“GSD”).

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**Please be advised that the above-referenced changes will become effective for margins collected on or after Monday, February 6, 2012.** In times of market volatility where the multiplier is higher than zero, members will see increases in their Clearing Fund requirements.

Questions regarding this notice should be directed to your Relationship Manager. For additional information regarding deposits, please contact the NSCC Clearing Fund Hotline at (212) 855-3440.