



SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

**Form 19b-4 Information**

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change.

(a) The proposed rule change is annexed hereto as Exhibit 5 and consists of modifications to the Rules & Procedures (the “Rules”) of National Securities Clearing Corporation (“NSCC” or the “Corporation”) to eliminate from its Rules, references to the Collateral Management Service.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The proposed change does not require the approval of NSCC’s Board of Directors.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change.

(a) The purpose of this filing is to modify NSCC’s Rules to eliminate references to the Collateral Management Service, as the service is now obsolete.

Since 1995, NSCC has offered to its Members on a voluntary basis, a Collateral Management Service (“CMS”). The CMS service was created to provide Members with access to information regarding their clearing fund, margin and other similar requirements and deposits (“CMS data”) at NSCC, other participating clearing agencies registered with the Securities and Exchange Commission (the “Commission”), and clearing organizations recognized by the Commodity Futures Trading Commission (collectively, “Participating Clearing Entities”<sup>1</sup>), on a daily basis, including excess (deficit) amounts and data on underlying collateral.<sup>2</sup> The CMS service also permitted Participating Clearing Entities to receive CMS data with respect to their participants.

As a service, CMS never received any significant usage. Very few NSCC Members ever participated in CMS and over time, those Members withdrew from the service. Members obtain access to their Clearing Fund data via other means provided by the Corporation. Moreover, by the end of 2004, the Participating Clearing Entities had long since ceased transmitting CMS data to NSCC and the service became dormant.

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<sup>1</sup> The original list of Participating Clearing Entities were: Participants Trust Company (“PTC”) (no longer in existence), Philadelphia Depository Trust Company (“PDTC”) (no longer in existence), Stock Clearing Corporation of Philadelphia (“SCCP”), Boston Stock Exchange Clearing Corporation (“BSECC”), The Depository Trust Company (“DTC”), The Options Clearing Corporation (“OCC”), and MBS Clearing Corporation (“MBSCC”) and Government Securities Clearing Corporation (“GSCC”), both currently operating divisions of Fixed Income Clearing Corporation (“FICC”).

<sup>2</sup> *See* NSCC Rule Filings SR-NSCC-95-6 (SEC Release No. 34-36091 dated August 10, 1995), SR-NSCC-96-19 (SEC Release No. 34-38283 dated February 13, 1997), and SR-NSCC-98-10 (SEC Release No. 34-40740 dated December 3, 1998).

Accordingly, NSCC proposes to delete Rule 53 and Procedure XVI (Collateral Management Service), delete any references to CMS from Section 9 of Rule 4 (Clearing Fund) and to revise Rule 49 (Release of Clearing Data) to preserve NSCC's right to share Clearing Fund data with appropriate regulatory and self-regulatory organizations.

(b) By eliminating rules pertaining to an obsolete and dormant service, while preserving its right to share Clearing Fund data with appropriate regulatory bodies, NSCC's Rules will more accurately reflect the services it provides to its Members. The proposed rule change is therefore consistent with the provisions of the Securities Exchange Act of 1934 (the "Act"), as amended, and the rules and regulations thereunder.

4. Self-Regulatory Organization's Statement on Burden on Competition.

NSCC does not believe that the proposed rule change will have any impact, or impose any burden, on competition.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others.

NSCC has discussed the proposed rule change with Participating Clearing Entities. Written comments relating to the proposed rule change have not yet been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

6. Extension of Time Period for Commission Action.

NSCC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D).

- (a) The proposed rule change is to take effect pursuant to paragraph (A) of Section 19(b)(3) of the Act.
- (b) By eliminating rules pertaining to an obsolete and dormant service and preserving its right to share Clearing Fund data with appropriate regulatory bodies, the proposed rule filing effects a change in an existing service that does not adversely affect the safeguarding of securities or funds in the custody or control of NSCC and does not significantly affect the respective rights or obligations of NSCC or persons using the service. Therefore, the filing is consistent with the provisions of the Securities Exchange Act of 1934 (the "Act"), as amended, and the rules and regulations thereunder.

(c) Not applicable.

(d) Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission.

The proposed rule change is not based on the rules of another self-regulatory organization or the Commission.

9. Exhibits

Exhibit 1 - Notice of proposed rule change for publication in the Federal Register.

Exhibit 2 – N/A

Exhibit 3 – N/A

Exhibit 4 – N/A

Exhibit 5 - Proposed Rule Text

**EXHIBIT 1**

**SECURITIES AND EXCHANGE COMMISSION**

(Release No. 34-\_\_\_\_\_ ; File No. SR-NSCC-2007-04)

**SELF-REGULATORY ORGANIZATIONS**

Proposed Rule Change by National Securities Clearing Corporation (“NSCC”).  
The purpose of this filing is to amend NSCC’s Rules & Procedures with regard to the Collateral Management Service.

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Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”), 15 U.S.C. 78s(b)(1), notice is hereby given that on \_\_\_\_\_, 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 NSCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of modifications to the Rules & Procedures (the “Rules”) of National Securities Clearing Corporation (“NSCC” or the “Corporation”), and is annexed as Exhibit 5 to the filing.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, NSCC 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 Item IV below. NSCC has prepared summaries, set forth in sections (A), (B) and (C) below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change.

(1) The purpose of this filing is to modify NSCC’s Rules to eliminate references to the Collateral Management Service, as the service is now obsolete.

Since 1995, NSCC has offered to its Members on a voluntary basis, a Collateral Management Service (“CMS”). The CMS service was created to provide Members with access to information regarding their clearing fund, margin and other similar

requirements and deposits (“CMS data”) at NSCC, other participating clearing agencies registered with the Securities and Exchange Commission (the “Commission”), and clearing organizations recognized by the Commodity Futures Trading Commission (collectively, “Participating Clearing Entities”<sup>1</sup>), on a daily basis, including excess (deficit) amounts and data on underlying collateral.<sup>2</sup> The CMS service also permitted Participating Clearing Entities to receive CMS data with respect to their participants.

As a service, CMS never received any significant usage. Very few NSCC Members ever participated in CMS and over time, those Members withdrew from the service. Members obtain access to their Clearing Fund data via other means provided by the Corporation. Moreover, by the end of 2004, the Participating Clearing Entities had long since ceased transmitting CMS data to NSCC and the service became dormant. Accordingly, NSCC proposes to delete Rule 53 and Procedure XVI (Collateral Management Service), delete any references to CMS from Section 9 of Rule 4 (Clearing Fund) and to revise Rule 49 (Release of Clearing Data) to preserve NSCC’s right to share Clearing Fund data with appropriate regulatory and self-regulatory organizations.

(2) By eliminating rules pertaining to an obsolete and dormant service, while preserving its right to share Clearing Fund data with appropriate regulatory bodies, NSCC’s Rules will more accurately reflect the services it provides to its Members. The proposed rule change is therefore consistent with the provisions of the Securities Exchange Act of 1934 (the “Act”), as amended, and the rules and regulations thereunder.

**B. Self-Regulatory Organization's Statement on Burden on Competition.**

NSCC does not believe that the proposed rule change will have any impact, or impose any burden, on competition.

**C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others.**

NSCC has discussed the proposed rule change with Participating Clearing Entities. Written comments relating to the proposed rule change have not yet been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

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<sup>1</sup> The original list of Participating Clearing Entities were: Participants Trust Company (“PTC”) (no longer in existence), Philadelphia Depository Trust Company (“PDTCC”) (no longer in existence), Stock Clearing Corporation of Philadelphia (“SCCP”), Boston Stock Exchange Clearing Corporation (“BSECC”), The Depository Trust Company (“DTC”), The Options Clearing Corporation (“OCC”), and MBS Clearing Corporation (“MBSCC”) and Government Securities Clearing Corporation (“GSCC”), both currently operating divisions of Fixed Income Clearing Corporation (“FICC”).

<sup>2</sup> *See* NSCC Rule Filings SR-NSCC-95-6 (SEC Release No. 34-36091 dated August 10, 1995), SR-NSCC-96-19 (SEC Release No. 34-38283 dated February 13, 1997), and SR-NSCC-98-10 (SEC Release No. 34-40740 dated December 3, 1998).

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

The foregoing rule change has become effective pursuant to Section 19(b)(3) of the Act and subparagraph (f) of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate the rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 may be submitted by using the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>), or send an e-mail to [rule-comment@sec.gov](mailto:rule-comment@sec.gov). Please include File No. SR-NSCC-2007-04 on the subject line.
- Paper comments should be sent in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NSCC-2007-04. This file number should be included on the subject line if e-mail 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 Web site (<http://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 inspection and copying in the Commission's Public Reference Room, 100 F Street, NE, Washington D.C. 20549-1090. Copies of such filing also will be available for inspection and copying at the principal office of NSCC. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submission should refer to the file number above and should be submitted within \_\_\_\_\_ days after the date of publication.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.

Nancy M. Morris

**Exhibit 5**

## TEXT OF PROPOSED RULE CHANGE

**Underline and bold** indicate new text.

**~~Bold, Brackets and strikethrough~~** indicate deleted text

**Shaded** Rule text indicates pending text changes in rule filings SR-NSCC-2006-11 (approved by the Commission, but not yet implemented by NSCC), and SR-NSCC-2006-17.

## RULE 4 CLEARING FUND

\* \* \*

SEC. 9. ~~[Except as otherwise provided in Section 4 of Rule 53, t]~~ **The** Corporation shall determine with such frequency as it shall, from time to time to specify, whether the amount deposited by each Member, **Mutual Fund/Insurance Services Member**, Insurance Carrier/Retirement Services Member or Fund Member to the Clearing Fund may be in excess of ~~[the Member's, Insurance Carrier/Retirement Services Member's or Fund Member's]~~ **such participant's** Required Deposit. On any day that the Corporation has determined and provided notification that the Clearing Fund deposit of a ~~[Member, Insurance Carrier/Retirement Services Member or Fund Member]~~ **participant** exceeds its Required Deposit, then upon such ~~[Member's, Insurance Carrier/Retirement Services Member's or Fund Member's]~~ **participant's** ~~[written]~~ request, **provided in such form and within such timeframe as determined by the Corporation from time to time,** the Corporation shall cause to be returned to the ~~[Member, Insurance Carrier/Retirement Services Member or Fund Member]~~ **participant** cash on deposit (in excess of the minimum amount of cash required to be maintained in the Clearing Fund) and/or ~~[qualifying bonds]~~ **Eligible Clearing Fund Securities** (valued at their collateral value on the day of such withdrawal) securing ~~[the Member's, Insurance Carrier/Retirement Services Member's or Fund Member's]~~ **such participant's** open account indebtedness in an aggregate amount equal to such excess or such lesser amount as the Member, **Mutual Fund/Insurance Services Member**, Insurance Carrier/Retirement Services Member or Fund Member may request; provided, however, that such excess shall not be returned (a) until any amount which is required to be charged against the ~~[Member's, Insurance Carrier/Retirement Services Member's or Fund Member's]~~ **participant's** Required Deposit is paid by the ~~[Member, Insurance Carrier/Retirement Services Member or Fund Member]~~ **participant** to the Corporation and/or (b) if the Corporation determines that the ~~[Member's, Insurance Carrier/Retirement Services Member's or Fund Member's]~~ **participant's** current month's use of one or more services is materially different than the previous month's use of such service(s) upon which

such excess deposit is based. Notwithstanding the foregoing, the Corporation may, in its discretion, determine to withhold all or part of any excess deposit of a ~~[Member, Insurance Carrier/Retirement Services Member or Fund Member] participant~~ if such ~~[Member, Insurance Carrier/Retirement Services Member or Fund Member] participant~~ is subject to surveillance pursuant to these Rules.

~~[At the Member's, Insurance Carrier/Retirement Services Member's or Fund Member's request, the Corporation may also remit any such excess by revoking an outstanding Letter of Credit issued in respect of the open account indebtedness of the Member, Insurance Carrier/Retirement Services Member or Fund Member, provided that where any deficiency in the Member's, Insurance Carrier/Retirement Services Member's or Fund Member's Required Deposit would result by reason of any such revocation, the Member, Insurance Carrier/Retirement Services Member or Fund Member has previous to or simultaneously with such revocation deposited cash with, or pledged qualifying bonds to, and/or caused another acceptable Letter of Credit to be issued in favor of the Corporation, which, in the aggregate amount, equal or exceed such deficiency.]~~

The provisions of this Section 9 of Rule 4 shall not limit the rights or remedies of the Corporation as provided by Rule 15 of the Rules of the Corporation.

\* \* \*

#### RULE 49. RELEASE OF CLEARING DATA AND CLEARING FUND DATA

(a) Absent valid legal process or as provided in paragraph (b) hereof, the Corporation will only release Clearing Data relating to transactions of a particular participant and Clearing Fund Data to such participant upon his written request.

(b) The Corporation, in its sole discretion, may release Clearing Data relating to transactions of participants and/or the Clearing Fund Data of participants to (i) regulatory organizations and self-regulatory organizations, as defined in the Securities Exchange Act of 1934, as amended, or other comparable Federal or State statutes, (ii) clearing agencies registered with the SEC of which the participant is a member, and (iii) to any clearing organization that is affiliated with or has been designated by a futures contract market under the oversight of the Commodities Futures Trading Commission, of which the participant is a member. Provided, however, that nothing in this Rule shall prevent the Corporation from releasing Clearing Data to others, provided that such data shall be in a form as to prevent the disclosure, whether patently or in easily discernible format, of proprietary and/or confidential financial, operational or trading data of a particular participant or inappropriately arranged groups of participants.

(c) With respect to the foregoing, the release of any Clearing Data and/or Clearing Fund Data shall be conditioned upon either (i) a written request, or (ii)

the execution of a written agreement with the Corporation, whichever appropriate in the Corporation's discretion and the Corporation, in its discretion, shall establish the conditions under which such data shall be released and the fees, if any, to be paid for such data.

(d) The term "Clearing Data" shall mean, for the purposes of this Rule, transaction data which is received by the Corporation for inclusion in the clearance and/or settlement process of the Corporation, or such data, reports or summaries thereof, which may be produced as a result of processing such transaction data. **The term "Clearing Fund Data" shall mean, for the purposes of this Rule, information regarding a participant's clearing fund, margin and other similar requirements and deposits at the Corporation, or such data, reports or summaries thereof, which may be produced by the Corporation from time to time.**

(e) The foregoing notwithstanding, this Rule is not intended to, nor shall it be deemed to be in contravention, or a limitation, of the Corporation's obligations, as a self-regulatory organization, to cooperate and share data with other regulatory and self-regulatory organizations for regulatory purposes.

**Rule 53 (RULE NUMBER Reserved for future use)**

**[RULE 53 COLLATERAL MANAGEMENT SERVICE]**

~~SEC. 1. The Corporation may offer a service to provide access to information (the "CMS Data") regarding clearing fund, margin and other similar requirements and deposits at the Corporation, other participating Registered Clearing Agencies and clearing organizations affiliated with or designated by contract markets trading specific futures products under the oversight of the Commodities Futures Trading Commission (such Registered Clearing Agencies and CFTC recognized clearing organizations are referred to herein collectively as "Participating Clearing Entities"). The service also enables the Corporation, Participating Clearing Entities, and participants to send and receive interactive messages regarding their respective CMS Data to facilitate the movement of collateral. Such service shall be known as the Collateral Management Service (the "CMS") and will be accomplished in accordance with the provisions of this Rule.~~

~~SEC. 2. The Corporation may provide CMS Data to participants of the Corporation, Participating Clearing Entities, and if such Participating Clearing Entities request to participants of such Participating Clearing Entities. The provision of CMS Data to a participant shall be limited to the participant's own information. The provision of CMS Data to a Participating Clearing Entity shall be limited to only CMS Data of participants of such entity.~~

~~SEC. 3. The Corporation, Participating Clearing Entities, and participants may send and receive interactive messages (the "CMS Messages") regarding their respective CMS Data. The CMS Messages include the following: (a) a request by the Corporation or a Participating Clearing Entity to a participant for additional collateral, (b) a request by a participant to the Corporation or a Participating Clearing Entity to return excess collateral, (c) a request by a participant to the Corporation or a Participating Clearing Entity to use excess cash collateral to satisfy a settlement deficit at the entity where there is such excess cash collateral, (d) a request by a participant to the Corporation or a Participating Clearing Entity to substitute collateral, and (e) a request by a participant to use excess cash collateral at a Participating Clearing Entity or the Corporation to satisfy a clearing fund/margin deficit at another Participating Clearing Entity or the Corporation. The CMS Messages shall be processed by the Corporation as set forth in the Procedures.~~

~~SEC. 4. The Corporation and Participating Clearing Entities shall determine on a daily basis whether the clearing fund/margin deposits of a participant that participates in the CMS may be in excess of the participant's clearing fund/margin requirements. A participant that participates in the CMS may request a withdrawal of excess collateral on a daily basis, including an intra-day withdrawal of excess cash collateral.~~

~~SEC. 5. The movement of collateral based on CMS Messages shall be made in accordance with the provisions of this Section. The movement of collateral based on a CMS Message, other than a CMS Message pursuant to Section 3(e) of this Rule 53, shall be made between the Corporation or a Participating Clearing Entity and the participant pursuant to the rules and procedures of the appropriate clearing entity. The movement of excess cash collateral between clearing entities based on CMS Messages pursuant to Section 3(e) of this Rule 53 shall be made directly between clearing entities daily on a bilateral net basis or as otherwise may be determined by the clearing entities and as set forth in the Procedures. The movement of excess cash collateral from the Corporation to a participant of the Corporation based on CMS Messages shall be made in accordance with Rule 12 and other provisions of these Rules; provided, however, that if a participant requests an intra-day withdrawal of excess cash collateral pursuant to Section 4 of this Rule 53 the movement of excess cash collateral shall be made by a Federal Funds wire transfer.~~

~~SEC. 6. Each participant that desires access to the CMS shall complete and deliver to the Corporation appropriate documents for participation in the CMS in such form as the Corporation may from time to time require. A participant may request that NSCC exclude data relating to such participant from the CMS. Any such participant, however, shall complete and deliver to the Corporation appropriate documents to exclude~~

~~data from the CMS in such form as the Corporation shall require from time to time.~~

~~SEC. 7. The Corporation may, in its discretion, enter into agreements in such form as the Corporation may from time to time require with one or more Participating Clearing Entities with respect to the collection and provision of CMS Data as well as other matters between the Corporation and Participating Clearing Entities relating to the CMS.~~

~~SEC. 8. The CMS Data must be submitted to the Corporation by Participating Clearing Entities in such formats and by such times as the Corporation may, in its discretion, require from time to time. The submission of such information to the Corporation shall not relinquish, extinguish or affect any regulatory or legal rights, remedies or obligations, if any, of Participating Clearing Entities.~~

~~SEC. 9. The Corporation shall not be responsible for the completeness or accuracy of any CMS Data or CMS Message nor for any errors, omissions or delays which may occur relating to the CMS Data or the CMS Message except as otherwise agreed to by the Corporation by specific agreement.~~

~~SEC. 10. The foregoing notwithstanding, this Rule is not intended to nor shall it be deemed to be in contravention or a limitation of the Corporation's obligation as a self-regulatory organization to cooperate and share data with other regulatory and self-regulatory organizations for regulatory purposes.]~~

## PROCEDURE XVI. (PROCEDURE RESERVED FOR FUTURE USE)

### [PROCEDURE XVI. COLLATERAL MANAGEMENT SERVICE

#### A. Introduction

~~CMS is a system operated by the Corporation that provides access to CMS Data, including clearing fund, margin and other similar requirements and deposits at the Corporation and other Participating Clearing Entities, including excess and deficit amounts and detailed data on underlying collateral (i.e. cash, securities and/or letters of credit). The service also enables the Corporation, Participating Clearing Entities and participants that participate in the service to send and receive CMS Messages on an automated basis regarding their respective CMS Data. CMS Messages will be processed in accordance with this Procedure.~~

#### B. Request for Additional Collateral

~~The Corporation and Participating Clearing Entities may submit a request for additional collateral to a participant through CMS. The request must~~

~~include the identity of the requesting clearing entity, the identity of the participant, the total amount of the request, the type of collateral (i.e. cash, securities and/or letters of credit), the date of the request, and such other information as may be required or permitted. The request will be transmitted to the participant identified in the request. The participant will initiate the movement of the collateral to the appropriate clearing entity. The actual movement of the collateral will be the responsibility of the participant and will be made pursuant to the rules and procedures of the appropriate clearing entity.~~

#### ~~C. Request for Return of Excess Collateral~~

~~A participant may submit a request for the return of excess collateral to the Corporation or a Participating Clearing Entity through GMS. The request must include the identity of the requesting participant, the identity of the appropriate clearing entity, the total amount of the request, the type of collateral (i.e. cash, securities and/or letters of credit), the date of the request, and such other information as may be required or permitted. The request will be transmitted to the clearing entity identified in the request. The clearing entity will either approve or reject the request. The requesting participant will receive a message indicating the approval or rejection of the request and, in the case of a rejection, the reason(s) for the rejection. If the request is approved, the actual movement of the collateral will be the responsibility of the appropriate clearing entity and will be made pursuant to the rules and procedures of the appropriate clearing entity.~~

#### ~~D. Request to use Excess Cash Collateral to Satisfy a Settlement Deficit~~

~~A participant may submit a request to the Corporation or a Participating Clearing Entity to use excess cash collateral to satisfy a settlement deficit at the clearing entity where there is such excess cash collateral. The request must include the identity of the requesting participant, the identity of the appropriate clearing entity, the total amount of the request, the date of the request, and such other information as may be required or permitted. The request will be transmitted to the clearing entity identified in the request. The clearing entity will either approve or reject the request. The requesting participant will receive a message indicating the approval or rejection of the request and, in the case of a rejection, the reason(s) for the rejection. If the request is approved, the actual movement of the collateral will be the responsibility of the appropriate clearing entity and will be made pursuant to the rules and procedures of the appropriate clearing entity.~~

#### ~~E. Request to Substitute Collateral~~

~~A participant may submit a request to the Corporation or a Participating Clearing Entity to substitute collateral. The request must include the identity of the requesting participant, the identity of the appropriate clearing entity, the total amount and type of the collateral (i.e. cash, securities and/or letters of credit) to be returned to the participant, the total~~

~~amount and type of collateral (i.e. cash, securities and/or letters of credit) to be substituted by the participant, the date of the request, and such other information as may be required or permitted. The request will be transmitted to the clearing entity identified in the request. The clearing entity will either approve or reject the request. The requesting participant will receive a message indicating the approval or rejection of the request and, in the case of a rejection, the reason(s) for the rejection. If the request is approved, the actual movement of the collateral will be the responsibility of the participant and the appropriate clearing entity and will be made pursuant to the rules and procedures of the appropriate clearing entity.~~

**F. ~~Request to Use Excess Cash Collateral at One Participating Clearing Entity or the Corporation to Satisfy a Clearing Fund/Margin Deficit at Another Participating Clearing Entity or the Corporation~~**

~~A participant may submit a request to use excess cash collateral at one Participating Clearing Entity or the Corporation to satisfy a clearing fund/margin deficit at another Participating Clearing Entity or the Corporation. The request must include the identity of the requesting participant, the identity of the clearing entity from which the excess cash collateral is to be sent, the identity of the clearing entity to which the excess cash collateral is to be sent, the total amount of the request, the date of the request, and such other information as may be required or permitted. The request will be transmitted to both clearing entities identified in the request. The clearing entities will either approve or reject the request. The requesting participant will receive a message from each clearing entity indicating the approval or rejection of the request and, in the case of a rejection, the reason(s) for the rejection. If the request is approved by both clearing entities, the actual movement of the collateral will be the responsibility of the clearing entity from which the excess cash collateral is to be sent and will be made directly between clearing entities daily on a bilateral net basis or as otherwise may be determined by the clearing entities. Excess cash collateral will be treated as moved at the time both clearing entities approve the participant=s request or at such other time as the clearing entities may mutually agree.~~

**G. ~~Additional Procedures Regarding CMS Messages~~**

~~CMS Messages must be submitted by such times on each processing day as may be established by the Corporation and Participating Clearing Entities from time to time. A request by a participant to the Corporation or a Participating Clearing Entity that is not fully approved on the day that it is submitted will not be carried forward to the next processing day. However, CMS provides for “today for tomorrow” requests that will pend and be incorporated into the next day=s processing if so designated.]~~