

Proposed Rule Change by National Securities Clearing Corporation
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input checked="" type="checkbox"/>	Amendment <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/> Extension of Time Period for Commission Action <input type="checkbox"/> Date Expires <input type="text"/>			Rule		
			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description
Provide a brief description of the proposed rule change (limit 250 characters).

Rule filing proposing to: (i) restructure the NSCC Rules related to fines, and (ii) (where practicable and/or beneficial) harmonize them with similar rules of NSCC's affiliates, the Fixed Income Clearing Corporation and The Depository Trust Company

Contact Information
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name Last Name
 Title
 E-mail
 Telephone Fax

Signature
Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date
 By (Name) (Title)
 NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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 Proposed Rule Change.

(a) The proposed rule change is annexed hereto as Exhibit 5 and consists of modifications to the Rules of National Securities Clearing Corporation's ("NSCC") with regard to Rules on fines.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The proposed changes were approved on February 14, 2007 by the Credit and Market Risk Management Committee 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: (i) restructure the NSCC Rules related to fines, and (ii) (where practicable and/or beneficial) harmonize them with similar Rules of NSCC's affiliates, the Fixed Income Clearing Corporation ("FICC") and The Depository Trust Company ("DTC").

(i) Fine Schedule for Failure to Submit Financial and Other Information

Members of NSCC receive fines for failure to submit required financial, regulatory and other information by the publicized time frames. As part of the ongoing effort to harmonize the Rules with those of its affiliates, NSCC is proposing to adopt the schedule currently utilized by FICC for this purpose. (*See* Exhibit 5 for the proposed fine schedule.) NSCC will also adopt changes to the footnotes of the applicable fine schedule to make certain clarifications including that the determination of the fine amount after the fourth or more occasion of an offense within a twelve month rolling period will be determined with the concurrence of the Board or the Credit and Market Risk Management Committee (or similar committee) (the "Committee").¹ These footnotes will also set forth the below-mentioned division of fines among the Clearing Agencies (as defined below).

Oftentimes a member that is fined pursuant to the above-mentioned schedule is a common member of FICC and/or DTC, as well, which would cause the member to incur multiple penalties for the same offense. NSCC is proposing to provide in its Rules that a common member of NSCC, FICC and DTC² (each a "Clearing Agency" and,

¹ Under the Rules of NSCC, the terms "Board" or "Board of Directors" mean the Board of Directors of NSCC or a committee thereof acting under delegated authority (hereinafter, the "Board").

² DTC does not currently maintain a fine schedule in this regard, however, it will file a separate rule filing proposing the adoption of the schedule NSCC proposes to adopt below.

collectively, the “Clearing Agencies”) that is late in providing the same information to more than one Clearing Agency would be subject to an equal portion of the applicable fine amount at each Clearing Agency.³

(ii) General Continuance Standards

NSCC’s Rules require a member to notify NSCC of its non-compliance with general continuance standards, but do not include the imposition of a specific fine in this regard. In the interest of harmonizing this provision with a similar FICC provision, NSCC is proposing the expansion of this requirement to include: (i) requiring the member to make such a notification within 2 business days, (ii) requiring the member to also notify NSCC within the two-day timeframe if it becomes subject to a statutory disqualification, and (iii) subject the member to a \$1,000 fine for failure to timely notify NSCC in this regard.

NSCC also currently imposes a fine in the amount of \$5,000 if an applicable member fails to notify it about a “material” change. A material change currently includes events such as a merger or acquisition involving the member, a change in corporate form, a name change, a material change in ownership, control or management and participation as a defendant in litigation which could reasonably be anticipated to have a direct negative impact on the member’s financial condition or ability to conduct its business. In order to make the NSCC Rules uniform with similar FICC provisions, NSCC is proposing to amend NSCC’s Rules so that notice of such events must be provided 90 calendar days prior to the effective date of such event unless the member demonstrates that it could not have reasonably have given notice within that time frame.

With respect to both fines (\$1,000 and \$5,000) mentioned above, NSCC is proposing to amend its Rules such that a common member of the Clearing Agencies that is late in providing the same requisite notification to more than one Clearing Agency would be subject to an equal portion of the applicable fine amount at each Clearing Agency (this would be consistent with the approach being proposed above with respect to fines for failure to timely provide requisite financial and other information).⁴

(iii) Fine Schedule for Late Clearing Fund Deficiency Payments

NSCC members are also subject to fines for late Clearing Fund deficiency payments. With a view towards harmonization between the NSCC and FICC Rules in this regard, NSCC hereby proposes the amendment of the footnotes to its schedule to correspond with those proposed by FICC in a separate rule filing, including:⁵

³ For example, assume that Firm A is a member of DTC, FICC and NSCC and is required to submit its annual audited financial statements within a certain timeframe. If Member A is late in its submission of the statements (and this is Firm A’s first lateness), Firm A will be fined \$300 total (\$100 for DTC, \$100 for FICC and \$100 for NSCC).

⁴ DTC does not currently maintain a fine in this regard, however, it will file a separate rule filing proposing the adoption of the schedule NSCC proposes to adopt below.

⁵ FICC is proposing the adoption of the fine schedule currently used by NSCC.

(A) If the number of occasions within the rolling period exceeds four, management will obtain the Committee's concurrence as to the fine amount.

(B) A lateness of more than one hour will result in a fine equal to the amount applicable to the next highest occasion for the specific deficiency amount.⁶ If a member is late for more than one hour and it is the member's fourth occasion, management will obtain the Committee's concurrence as to the fine amount.

(See Exhibit 5 to this rule filing for the complete schedule and footnotes as proposed).

(iv) Fine Schedule for Late Settlement Payments

The Clearing Agencies currently have provisions for fining for late settlement payments. In order to harmonize this process with that of the other Clearing Agencies, NSCC is proposing to add the following provisions to the footnotes of the applicable fine schedule:⁷

(A) If the number of occasions within the three-month rolling period exceeds four, the Corporation shall obtain the concurrence of the Board of Directors as to the fine amount. This change would necessitate the removal of language granting NSCC discretion as to the fine amount upon consultation with the Settling Bank Only Member, Member, Mutual Fund/Insurance Services Member or Fund Member.

(B) A lateness of more than one hour will result in a fine equal to the amount applicable to the next highest occasion for the specific deficiency amount. If a Settling Bank Only Member, Member, Mutual Fund/Insurance Services Member or Fund Member is late for more than one hour and it is the fourth occasion in the rolling period, the Corporation shall obtain the concurrence of the Board of Directors as to the fine amount.

The schedule will also be amended to correct overlaps in the applicable net debit amounts.

(See Exhibit 5 to this rule filing for a complete fee schedule which incorporates the changes proposed above.)

(b) NSCC's Rules, including its fine provisions, are intended to protect NSCC and its members from undue risk while providing access to NSCC services. The proposed changes with respect to the restructuring of existing Rules and procedures will assist NSCC and its members in interpreting and understanding the Rules with regard to fines. In addition, enhancing the ability of members to interpret and understand the Rules

⁶ For example, if Firm A's deficiency amount is under \$100,000, it is Firm A's second lateness in the three-month period and Firm A is late by more than one hour, Firm A will be fined \$200 pursuant to the proposed fine schedule.

⁷ Pursuant to the same fine schedule NSCC also fines members for late acknowledgments during the National Settlement System ("NSS") process.

will assist NSCC in assuring the safeguarding of funds and securities in NSCC's control or for which NSCC is responsible. It is therefore consistent with the requirements of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder applicable to NSCC.

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, Members, or Others.

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).

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Not applicable.

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

Certain portions of the proposed rule changes are based on conforming changes that will be proposed by NSCC's affiliates, DTC and FICC.

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-2007-07)

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by NATIONAL SECURITIES CLEARING CORPORATION ("NSCC") proposing to: (i) restructure the NSCC Rules related to fines, and (ii) (where practicable and/or beneficial) harmonize them with similar rules of NSCC's affiliates, the Fixed Income Clearing Corporation ("FICC") and The Depository Trust Company ("DTC").

Comments requested within ____ days after the date of this publication.

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 text of the proposed rule change is attached hereto as Exhibit 5.

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. 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

(i) The purpose of this filing is to: (i) restructure the NSCC Rules related to fines, and (ii) (where practicable and/or beneficial) harmonize them with similar Rules of NSCC's affiliates, the Fixed Income Clearing Corporation ("FICC") and The Depository Trust Company ("DTC").

(i) Fine Schedule for Failure to Submit Financial and Other Information

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Oftentimes a member that is fined pursuant to the above-mentioned schedule is a common member of FICC and/or DTC, as well, which would cause the member to incur multiple penalties for the same offense. NSCC is proposing to provide in its Rules that a common member of NSCC, FICC and DTC² (each a "Clearing Agency" and, collectively, the "Clearing Agencies") that is late in providing the same information to more than one Clearing Agency would be subject to an equal portion of the applicable fine amount at each Clearing Agency.³

(ii) General Continuance Standards

NSCC's Rules require a member to notify NSCC of its non-compliance with general continuance standards, but do not include the imposition of a specific fine in this regard. In the interest of harmonizing this provision with a similar FICC provision, NSCC is proposing the expansion of this requirement to include: (i) requiring the member to make such a notification within 2 business days, (ii) requiring the member to also notify NSCC within the two-day timeframe if it becomes subject to a statutory

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³ For example, assume that Firm A is a member of DTC, FICC and NSCC and is required to submit its annual audited financial statements within a certain timeframe. If Member A is late in its submission of the statements (and this is Firm A's first lateness), Firm A will be fined \$300 total (\$100 for DTC, \$100 for FICC and \$100 for NSCC).

disqualification, and (ii) subject the member to a \$1,000 fine for failure to timely notify NSCC in this regard.

NSCC also currently imposes a fine in the amount of \$5,000 if an applicable member fails to notify it about a “material” change. A material change currently includes events such as a merger or acquisition involving the member, a change in corporate form, a name change, a material change in ownership, control or management and participation as a defendant in litigation which could reasonably be anticipated to have a direct negative impact on the member’s financial condition or ability to conduct its business. In order to make the NSCC Rules uniform with similar FICC provisions, NSCC is proposing to amend NSCC’s Rules so that notice of such events must be provided 90 calendar days prior to the effective date of such event unless the member demonstrates that it could not have reasonably have given notice within that time frame.

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NSCC members are also subject to fines for late Clearing Fund deficiency payments. With a view towards harmonization between the NSCC and FICC Rules in this regard, NSCC hereby proposes the amendment of the footnotes to its schedule to correspond with those proposed by FICC in a separate rule filing, including:⁵

(A) If the number of occasions within the rolling period exceeds four, management will obtain the Committee’s concurrence as to the fine amount.

(B) A lateness of more than one hour will result in a fine equal to the amount applicable to the next highest occasion for the specific deficiency amount.⁶ If a member is late for more than one hour and it is the member’s fourth occasion, management will obtain the Committee’s concurrence as to the fine amount.

(See Exhibit 5 to this rule filing for the complete schedule and footnotes as proposed).

(iv) Fine Schedule for Late Settlement Payments

⁴ DTC does not currently maintain a fine in this regard, however, it will file a separate rule filing proposing the adoption of the schedule NSCC proposes to adopt below.

⁵ FICC is proposing the adoption of the fine schedule currently used by NSCC.

⁶ For example, if Firm A’s deficiency amount is under \$100,000, it is Firm A’s second lateness in the three-month period and Firm A is late by more than one hour, Firm A will be fined \$200 pursuant to the proposed fine schedule.

The Clearing Agencies currently have provisions for fining for late settlement payments. In order to harmonize this process with that of the other Clearing Agencies, NSCC is proposing to add the following provisions to the footnotes of the applicable fine schedule:⁷

(A) If the number of occasions within the three-month rolling period exceeds four, the Corporation shall obtain the concurrence of the Board of Directors as to the fine amount. This change would necessitate the removal of language granting NSCC discretion as to the fine amount upon consultation with the Settling Bank Only Member, Member, Mutual Fund/Insurance Services Member or Fund Member.

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The schedule will also be amended to correct overlaps in the applicable net debit amounts.

(*See* Exhibit 5 to this rule filing for a complete fee schedule which incorporates the changes proposed above.)

(ii) NSCC's rules, including its fine provisions, are intended to protect NSCC and its members from undue risk while providing access to NSCC services. The proposed changes with respect to the restructuring of existing rules and procedures will assist NSCC and its members in interpreting and understanding the Rules with regard to fines. In addition, enhancing the ability of members to interpret and understand the Rules will assist NSCC in assuring the safeguarding of funds and securities in NSCC's control or for which NSCC is responsible. It is therefore consistent with the requirements of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder applicable to NSCC.

⁷ Pursuant to the same fine schedule NSCC also fines members for late acknowledgments during the National Settlement System ("NSS") process.

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.

Written comments relating to the proposed rule change have not been solicited or received.

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date 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 such proposed rule change, or
- (B) institute proceedings to determine whether the proposed 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 may be submitted by using the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>), or by sending an e-mail to rule-comment@sec.gov. Please include File No. SR-NSCC-2007-07 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 D.C. 20549-1090.

All submissions should refer to File Number SR-NSCC-2007-07. 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. 20549-9303. Copies of such filing also will be available for inspection and copying at NSCC's principal office and on NSCC's Web site at www.nsc.com 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 submissions 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

Bolded, underlined language indicates proposed additions made by this filing

~~**Bolded, Strikethrough text**~~ indicates proposed deletions made by this filing

Rule 2B-- ongoing membership requirements and monitoring

SEC. 2. DATA TO BE FILED WITH THE CORPORATION

B. Notification of Changes in Condition

(a) Each Member, Mutual Fund/Insurance Services Member, Fund Member, Municipal Comparison Only Member, Insurance Carrier/Retirement Services Member, TPA Member and Data Services Only Member shall:

- (i) promptly inform the Corporation **within two business days**, both orally and in writing, if it is no longer in compliance with any of the relevant qualifications and standards for membership set forth in these Rules as applicable to its type of membership (regardless of whether in effect at the time the participant was admitted), or with respect to any additional qualifications as required by the Corporation in connection with approval of its admission to, or continued participation in, the Corporation. Such notification must be given by the participant as soon as practicable and in any event must be received by the Corporation within two business days from the date on which the participant first learns of its non-compliance;
- (ii) submit to the Corporation written notice of material organization changes including mergers, acquisitions, changes in corporate form, name changes **at least 90 calendar days prior to the effect date of such event unless the member demonstrates that it could not have reasonably given notice within such timeframe.**

ADDENDUM P

FINE SCHEDULE

1) SDFS Failure-to-Settle and Late Acknowledgment Fines

<u>NET DEBIT FOR APPLICABLE MEMBER, MUTUAL/FUND INSURANCE SERVICES MEMBER, FUND MEMBER OR SETTLING BANK ONLY MEMBER</u>	FIRST OCCASION	SECOND OCCASION	THIRD OCCASION	FOURTH OCCASION
\$0 - 100,000	\$ 100	\$ 200	\$ 500	\$ 1,000
<u>Greater than</u> \$100,000 - 900,000	300	600	1,500	3,000
<u>Greater than</u> \$900,000 - 1,700,000	600	1,200	3,000	6,000
<u>Greater than</u> 1,700,000 - 2,500,000	900	1,800	4,500	9,000
<u>Greater than</u> 2,500,000 - UP	1,000	2,000	5,000	10,000

NOTES: a) In addition to the fine, interest is charged to the Member, Mutual Fund/Insurance Services Member, Fund Member or the Settling Bank Only Member, that failed to settle for the cost of borrowing to complete settlement.

b) The number of occasions will be determined over a moving three-month period. ~~**A Member, Mutual Fund/Insurance Services Member, Fund Member or a Settling Bank Only Member, that exceeds four failure-to-settle occasions in a three-month period will be subject to further fees and/or other actions at the Corporation's discretion after consultation between the Member, Mutual Fund/Insurance Services Member, Fund Member or the Settling Bank Only Member, and the Corporation.**~~

c) If the Corporation determines that it had significantly affected a Member's, Mutual Fund/Insurance Services Member, Fund Member or a Settling Bank Only Member's, ability to settle (because of a Corporation

system delay, for example), the Corporation may determine to waive failure-to-settle fines for that occurrence.

d) If the number of occasions within the rolling period exceeds four, the Corporation shall obtain the concurrence of the Board of Directors as to the fine amount.

(e) A lateness of more than one hour will result in a fine equal to the amount applicable to the next highest occasion for the specific deficiency amount. If a member is late for more than one hour and it is the member's fourth occasion, the Corporation shall obtain the concurrence of the Board of Directors as to the fine amount.

2) General Continuance Standards-Fine for failure to notify pursuant to Section 2(B)(a)(i) of Rule 2B: Each single offense, \$1,000 fine. If the Member's failure to notify applies to more than one DTCC clearing agency subsidiary, the fine amount will be divided equally among the clearing agencies.

2) 3) Failure to notify and supply required data as provided for under these Rules & Procedures (other than as provided in items one, ~~two, three,~~ four ~~and~~ , five, ~~six, and seven~~ of this addendum): Each single offense, \$5,000.00 fine. If the Member's failure to notify applies to more than one DTCC clearing agency subsidiary, the fine amount will be divided equally among the clearing agencies.

3) 4) Late Satisfaction of Clearing Fund Deficiency Call¹

Amount	First Occasion	Second Occasion	Third Occasion	Fourth Occasion (or greater)
Up to \$100 M	*	\$ 100	\$ 200	\$ 500
Greater than \$100 M to \$900 M	*	300	600	1,500
Greater than \$900 M to \$1.7 MM	*	600	1,200	3,000
Greater than \$1.7 MM to \$2.5 MM	*	900	1,800	4,500
Greater than \$2.5 MM	*	1,000	2,000	5,000

* First occasions result in a warning letter issued to the Member.

The number of occasions is determined over a moving three-month period beginning with the first occasion.

If the number of occasions within the rolling period exceeds four, the Corporation shall obtain the concurrence of the Board of Directors as to the amount of the fine.

A lateness of more than one hour will result in a fine equal to the amount applicable to the next highest occasion for the specific deficiency amount. If a member is late for more than one hour and it is the member's fourth occasion, the Corporation shall obtain the concurrence of the Board of Directors as to the amount of the fine.

4) 5) Requests For Information⁴

Request For Information (Failure to timely Provide)	First Occasion	Second Occasion	Third Occasion
Financial Statements			

¹ ~~Fines to be levied for offenses within a moving twelve-month period beginning with the first occasion.~~

Audited Financial Statements for Member or Parent	\$300	\$600	\$1,500
Monthly and/or Quarterly Regulatory Filings	\$300	\$600	\$1,500
Monthly and/or Quarterly Financial Statements	\$300	\$600	\$1,500
Proforma Financial Statements	\$300	\$600	\$1,500
Any Financial Computations, Consolidating Worksheets or Internal Statements, Upon Special Request	\$300	\$600	\$1,500
Risk Questionnaires/Profiles			
Questionnaires	\$150	\$300	\$750
Profiles	\$150	\$300	\$750
Risk Management Policies and Procedures	\$150	\$300	\$750
Disaster Recovery Procedures	\$150	\$300	\$750

Failure to Timely Provide Financial and Related Information

	First	Second	Third	Fourth
<u>Request for Information* Occasion</u>	<u>Occasion</u>	<u>Occasion</u>	<u>Occasion</u>	<u>Occasion</u>
<u>Financial Reports/</u>	<u>\$300</u>	<u>\$600</u>	<u>\$1,500</u>	<u>***</u>
<u>Information**</u>				

***Fines to be levied for offenses within a moving twelve-month period beginning with the first occasion.**

****For purposes of this Fine Schedule, "Reports/Information" shall mean the financial, regulatory and other information required to be submitted within a specified deadline to the Corporation.**

*****Fourth or more occasion fines will be determined by the Corporation with the concurrence of the Board of Directors.**

If the Member's late submission applies to more than one DTCC clearing agency subsidiary, the fine amount will be divided equally among the clearing agencies.

5) 6) Settlement of Commissions (pursuant to Rule 16)²

NET DEBIT	FIRST OCCASION	SECOND OCCASION	THIRD OCCASION	FOURTH OCCASION (or greater)
\$0 - 100,000	(1)	\$ 100	\$ 200	\$ 300
\$100,000 - 200,000	(1)	200	300	400
Greater than \$200,000	(1)	300	400	500

NOTES:1) First occasions result in a warning letter issued to the Member/**Non-Clearing Member** Commission Billing Member.

2) In addition to the fine, unpaid amounts will incur interest charges until paid.

6) 7) Business Continuity Testing for Top Tier Firms - Fines for Failure to Test

Fine for failure to complete testing by December 31st:\$10,000

Fine for failure to complete testing for two successive years:\$20,000

NOTES:1) Failure to complete testing for more than two successive years will result in disciplinary action taken by NSCC, up to and including termination of membership.