

OMB APPROVAL

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SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549  
 Form 19b-4

File No. SR - 2009 - 09  
 Amendment No. [ ]

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

Initial  Amendment  Withdrawal  Section 19(b)(2)  Section 19(b)(3)(A)  Section 19(b)(3)(B)

Pilot  Extension of Time Period for Commission Action  Date Expires [ ]

Rule  
 19b-4(f)(1)  19b-4(f)(4)  
 19b-4(f)(2)  19b-4(f)(5)  
 19b-4(f)(3)  19b-4(f)(6)

Exhibit 2 Sent As Paper Document  Exhibit 3 Sent As Paper Document

**Description**

Provide a brief description of the proposed rule change (limit 250 characters).

To propose rule change by NSCC to remove Appendix 1 from its rules and procedures.

**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 [John] Last Name [Petrofsky]  
 Title [Associate Counsel]  
 E-mail [jpetrofsky@dtcc.com]  
 Telephone [(212) 855-7634] Fax [(212) 855-3215]

**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 [10/30/2009]  
 By [Merrie Faye Witkin]  
 (Name)

[Managing Director and Deputy General Counsel]  
 (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.

Merrie Faye Witkin, mwithin@dtcc.com

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information**

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.

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

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)

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

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.

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Exhibit Sent As Paper Document

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

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.

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Exhibit Sent As Paper Document

**Exhibit 4 - Marked Copies**

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.

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**Exhibit 5 - Proposed Rule Text**

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.

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**Partial Amendment**

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.

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1. Text of Proposed Rule Change.

(a) The text of the proposed changes to the Rules & Procedures (the “Rules”) of National Securities Clearing Corporation (“NSCC” or the “Corporation”) and are attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The proposed rule change was approved by the NSCC Credit & Market Risk Management Committee at its meeting held on October 21, 2009.

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

(a) In 2001, NSCC introduced a risk-based margin margining (“RBM”) approach to calculating Clearing Fund deposits for settling Members that includes, but is not limited to, calculations based on portfolio volatility and, where applicable, market maker domination. This approach was implemented over time to extend to most NSCC Members. The formula for the calculation of Clearing Fund requirements under the RBM approach is set forth in Procedure XV of NSCC’s Rules and Procedures (the “Rules”). Presently, the only Member that has not migrated to RBM is the CDS Clearing and Depository Services Inc. (“CDS”), which is currently margined pursuant to a volume based formula outlined in Appendix 1 of the Rules.<sup>2</sup>

The utilization of RBM more accurately reflects NSCC’s exposure than the formulae set forth in Appendix 1 because it enables NSCC to more precisely identify the risks posed by a Member’s unsettled portfolio and, as a result, more quickly adjust and collect additional Clearing Fund deposits. Therefore, effective, November 2, 2009 (the “Conversion Date”), NSCC will move CDS to the Clearing Fund formula set forth in Procedure XV and Appendix 1 will become obsolete. Therefore, NSCC proposes to remove Appendix 1 from the Rules effective as of the Conversion Date.<sup>3</sup>

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<sup>2</sup> For additional information on RBM and the methodology set forth in Appendix 1, please see Securities Exchange Act Release Nos. 34-44431 (June 15, 2001), 66 FR 33280 [File No. SR-NSCC-2001-04] (June 21, 2001), and 34-52772 (November 14, 2005), 70 FR 70647 [File No. SR-NSCC-2005-13] (November 22, 2005).

<sup>3</sup> In addition, the Rules provide NSCC with the discretion to modify the deadline by which a Member must satisfy its Clearing Fund requirement (Procedure XV requires that all Clearing Fund and other deposit requirements be made by Members within one hour of demand.) Presently, the deadline for all Members subject to RBM to satisfy their Clearing Fund requirement is 10 a.m. CDS has requested a 2 hour extension (to 12 p.m. New York Time) for a period of 6 months beginning on the Conversion Date to facilitate the transition to the new Clearing Fund calculation and NSCC has determined to grant this extension. Currently, CDS is required to satisfy its Clearing Fund requirement on a weekly basis. The extension is necessary to allow: (i) CDS members the opportunity to fund their NSCC related deficit at

(b) The proposed rule change facilitates the prompt and accurate clearance and settlement of securities transactions through the elimination of the non-RBM-based Clearing Fund formula and thereby facilitating NSCC's ability to ensure adequate collateral levels are maintained to facilitate settlement in the event of a participant default; and is therefore consistent with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder applicable to NSCC. For the same reasons, the proposal is consistent with the CPSS/IOSCO Recommendations for Central Counterparties regarding margin requirements as it will enhance NSCC's risk management processes and limit NSCC's exposure to potential losses from defaults by its Members.

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) The proposed rule change is to take effect pursuant to paragraph A of Section 19(b)(3).

(b) The proposed rule effects a change in an existing service of a registered clearing agency that: (i) does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible; and (ii) does not significantly affect the respective rights or obligations of the clearing agency or persons using the service.

(c) Not applicable.

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CDS on a daily basis and in U.S. dollars rather than in Canadian Treasuries as is allowed today, and (ii) time for CDS to gain regulatory approval to set its deadline for collection from its member firms to a time that would allow for it to meet the 10 a.m. deadline.

(d) Not applicable.

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

(a) Not applicable.

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 - Text of the proposed rule change

**EXHIBIT 1**

**SECURITIES AND EXCHANGE COMMISSION**

**(Release No. 34-\_\_\_\_\_ ; File No. SR-NSCC-2009-09)**

**SELF-REGULATORY ORGANIZATIONS**

Proposed Rule Change by NATIONAL SECURITIES CLEARING CORPORATION  
("NSCC") to remove Appendix 1 from its Rules and Procedures.

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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 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 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.**

(i) In 2001, NSCC introduced a risk-based margin margining ("RBM") approach to calculating Clearing Fund deposits for settling Members that includes, but is not limited to, calculations based on portfolio volatility and, where applicable, market maker domination. This approach was implemented over time to extend to most NSCC Members. The formula for the calculation of Clearing Fund requirements under the RBM approach is set forth in Procedure XV of NSCC's Rules and Procedures (the "Rules"). Presently, the only Member that has not migrated to RBM is the CDS Clearing and Depository Services Inc. ("CDS"), which is currently margined pursuant to a volume

based formula outlined in Appendix 1 of the Rules.<sup>1</sup>

The utilization of RBM more accurately reflects NSCC's exposure than the formulae set forth in Appendix 1 because it enables NSCC to more precisely identify the risks posed by a Member's unsettled portfolio and, as a result, more quickly adjust and collect additional Clearing Fund deposits. Therefore, effective, November 2, 2009 (the "Conversion Date"), NSCC will move CDS to the Clearing Fund formula set forth in Procedure XV and Appendix 1 will become obsolete. Therefore, NSCC proposes to remove Appendix 1 from the Rules effective as of the Conversion Date.<sup>2</sup>

(ii) The proposed rule change facilitates the prompt and accurate clearance and settlement of securities transactions through the elimination of the non-RBM-based Clearing Fund formula and thereby facilitating NSCC's ability to ensure adequate collateral levels are maintained to facilitate settlement in the event of a participant default; and is therefore consistent with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder applicable to NSCC. For the same reasons, the proposal is consistent with the CPSS/IOSCO Recommendations for Central Counterparties regarding margin requirements as it will enhance NSCC's risk management processes and limit NSCC's exposure to potential losses from defaults by its Members.

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 yet been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

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<sup>1</sup> For additional information on RBM and the methodology set forth in Appendix 1, please see Securities Exchange Act Release Nos. 34-44431 (June 15, 2001), 66 FR 33280 [File No. SR-NSCC-2001-04] (June 21, 2001), and 34-52772 (November 14, 2005), 70 FR 70647 [File No. SR-NSCC-2005-13] (November 22, 2005).

<sup>2</sup> In addition, the Rules provide NSCC with the discretion to modify the deadline by which a Member must satisfy its Clearing Fund requirement (Procedure XV requires that all Clearing Fund and other deposit requirements be made by Members within one hour of demand.) Presently, the deadline for all Members subject to RBM to satisfy their Clearing Fund requirement is 10 a.m. CDS has requested a 2 hour extension (to 12 p.m. New York Time) for a period of 6 months beginning on the Conversion Date to facilitate the transition to the new Clearing Fund calculation and NSCC has determined to grant this extension. Currently, CDS is required to satisfy its Clearing Fund requirement on a weekly basis. The extension is necessary to allow: (i) CDS members the opportunity to fund their NSCC related deficit at CDS on a daily basis and in U.S. dollars rather than in Canadian Treasuries as is allowed today, and (ii) time for CDS to gain regulatory approval to set its deadline for collection from its member firms to a time that would allow for it to meet the 10 a.m. deadline.

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)(A) of the Act and paragraph (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 such 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 sending an e-mail to [rule-comment@sec.gov](mailto:rule-comment@sec.gov). Please include File No. SR-NSCC-2009-09 on the subject line.
- Paper comments should be sent in triplicate to Florence E. Harmon, Deputy Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington DC 20549-1090.

All submissions should refer to File Number SR-NSCC-2009-09. 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 Section 100 F Street, NE, Washington DC 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 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.

Florence E. Harmon

~~[Bracketed, struck-through boldface]~~ text indicates deletions

**APPENDIX 1**

**PROCEDURE XV (Version 2 below)  
LIMITED APPLICABILITY<sup>1</sup>**

**Version 2**

**~~XV. CLEARING FUND FORMULA AND OTHER MATTERS<sup>2</sup>~~**

**~~A.I.(a) Clearing Fund Formula for Members~~**

~~Each Member of the Corporation, except as otherwise provided below, is required to contribute to the Clearing Fund maintained by the Corporation an amount approximately equal to:~~

**For CNS Transactions**

~~(i)(a) 2% of the Member's projected total long CNS positions, plus;~~

~~(b) the net of each day's difference between (x) the contract price of pending compared CNS trades which have not as yet passed Settlement Date and CNS fail positions<sup>3</sup> (i.e., net positions that did not settle on Settlement Date) and (y) the Current Market Price for such trades/positions; provided that there shall be excluded from this calculation any trades for which the Corporation has, under a Clearing Agency Cross-Guaranty Agreement, either obtained coverage for such difference (if the sum of the differences for the trades subject to the agreement is a positive number) or undertaken~~

<sup>1</sup> ~~Applicable only to certain legacy non-broker/dealer entities. Under this procedure, Clearing Fund deposits are computed on a daily basis, and are collected as frequently, and within such time frames, as the Corporation determines appropriate.~~

<sup>2</sup> ~~Unless the Corporation determines otherwise, due to market fluctuations or other exigent circumstances, the mark-to-market component of the clearing fund formula for when-issued and when-distributed transactions is the daily market differential, while CNS trades and fail positions and Balance Order trades use a rolling twenty-day average of such mark-to-market differential~~

<sup>3</sup> ~~For fail positions, the contract price used for this purpose is the prior day's Market Price.~~

~~an obligation to provide coverage for such difference (if the sum of the differences for trades subject to the agreement is a negative number) and provided further, that the Corporation may, but shall not be required to, exclude from this calculation any shares delivered by the Member in the night cycle to satisfy all or part of a short position; plus~~

~~(c) 1/4 of 1% of the net of all compared pending CNS trades and open CNS positions, plus~~

~~(d) an amount for certain activity (referred to as “Specified Activity”) based on the average of the Member’s three highest aggregate calculated charges for daily Specified Activity measured over the most recent 20 settlement days. For purposes of this calculation, “Specified Activity” means transactions processed by the Corporation on a shortened processing cycle (i.e., otherwise than on a three-day processing and settlement cycle), including T+3 as-of trades,<sup>4</sup> cash trades, next day settling trades, and similar transactions. This charge shall be calculated by: (i) netting Specified Activity by cusip to a single long or short position, and (ii) applying a charge to each such position, using not less than two standard deviations as determined by historic pricing. The standard deviations will be the same as those derived for the daily volatility calculations applied pursuant to Procedure XV (Version 1) I.(A)(1)(a); provided however, that as is the case with the volatility charge, for those securities whose volatility is either less amenable to statistical analysis, or so amenable only in a complex manner, the Corporation shall instead apply the same percentage charge to those securities as applied pursuant to such provision.~~

For When-Issued and When-Distributed Transactions

~~(e) the net of each day’s difference between the contract price of pending compared when-issued and when-distributed trades which have not as yet reached settlement and the current market price for such trades, provided that there shall be excluded from this calculation any trades for which the Corporation has, under a Clearing Agency Cross-Guaranty Agreement, either obtained coverage for such difference (if the sum of the differences for the trades subject to the agreement is a positive number) or undertaken an obligation to provide coverage for such difference (if the sum of~~

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<sup>4</sup> That is, as-of trades compared or recorded on T+3 prior to the applicable comparison/recording cut-off time, including trades received after the applicable T+2 cut-off time. With respect to next day settling trades, this includes next day as-of trades.

~~the differences for trades subject to the agreement is a negative number), plus~~

~~(f) 1/4 of 1% of the net of all compared pending when-issued and when-distributed trades, plus~~

~~For Balance Order Transactions~~

~~(g) the net of each day's difference between the contract price of pending compared Balance Order trades which have not as yet passed Settlement Date and the current market price for such trades, provided that there shall be excluded from this calculation any trades for which the Corporation has, under a Clearing Agency Cross-Guaranty Agreement, either obtained coverage for such difference (if the sum of the differences for the trades subject to the agreement is a positive number) or undertaken an obligation to provide coverage for such difference (if the sum of the differences for trades subject to the agreement is a negative number), plus~~

~~\_\_\_\_\_ (h) an amount for certain activity (referred to as "Specified Activity") based on the average of the Member's three highest aggregate calculated charges for daily Specified Activity measured over the most recent 20 settlement days. For purposes of this calculation, "Specified Activity" means transactions processed by the Corporation on a shortened processing cycle (i.e., otherwise than on a three-day processing and settlement cycle), including T+3 as-of trades,<sup>5</sup> cash trades, next day settling trades, and similar transactions. This charge shall be calculated by: (i) netting Specified Activity by cusip to a single long or short position, and (ii) applying a charge to each such position, using not less than two standard deviations as determined by historic pricing. The standard deviations will be the same as those derived for the daily volatility calculations applied pursuant to Procedure XV (Version 1) I.(A)(1)(a); provided however, that as is the case with the volatility charge, for those securities whose volatility is either less amenable to statistical analysis, or so amenable only in a complex manner, the Corporation shall instead apply the same percentage charge to those securities as applied pursuant to such provision.~~

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<sup>5</sup> ~~That is, as-of trades compared or recorded on T+3 prior to the applicable comparison/recording cut-off time, including trades received after the applicable T+2 cut-off time. With respect to next day settling trades, this includes next day as-of trades.~~

~~(ii)(a) 2-1/2% of the Member's average daily settlement debits and credits, excluding CNS and Mutual Fund Services debits and credits, or~~

~~(b) 5% of the Member's average daily settlement debits, excluding CNS and Mutual Fund Services debits, whichever greater, adjusted by a factor (as defined below), plus~~

~~(iii) for Members using the Mutual Fund Services:~~

~~(a) \$5,000 if the Member has daily Mutual Fund Services settlement debits of no more than \$100,000 with respect to any one Fund Member, or~~

~~(b) \$10,000 if the Member has daily Mutual Fund Services settlement debits of no more than \$500,000 with respect to any one Fund Member, or~~

~~(c) \$20,000 if the Member has daily Mutual Fund Services settlement debits of more than \$500,000 with respect to any one Fund Member.~~

## **A.II. Component Requirement**

~~With respect to the Clearing Fund formula, each Member shall be required to contribute a minimum of \$10,000 (the "minimum contribution"). The first 40% (but no less than \$10,000) of a Member's Required Deposit must be in cash and the remaining amount, may be evidenced by open account indebtedness secured by the pledge of Eligible Clearing Fund Securities, which shall be valued, for collateral purposes, as set forth in A.IV. below. Cash deposits to the Clearing Fund shall be made by Federal Funds wire transfer.~~

### **1. Special Provisions Related to Eligible Clearing Fund Securities:**

~~(a) Any deposits of Eligible Clearing Fund Agency Securities<sup>6</sup> or Eligible Clearing Fund Mortgage-Backed Securities<sup>7</sup>, respectively, in excess of 25 percent of the Member's Required Deposit will be subject to an additional haircut equal to twice the percentage as~~

<sup>6</sup> ~~A Member that is an Agency may not pledge Eligible Clearing Fund Agency Securities of which it is the issuer.~~

<sup>7</sup> ~~With regard to a Member that pledges Eligible Clearing Fund Mortgage-Backed Securities of which it is the issuer, such securities will be subject to a premium haircut, as set forth in A.IV. below.~~

~~specified in the proposed haircut schedule detailed in A.IV. below, and~~

- ~~(b) — No more than 20 percent of a Member’s Required Deposit secured by pledged Eligible Clearing Fund Agency Securities may be of a single issuer.~~

~~A.III. Non-CNS Factor for Members~~

~~For the purposes of Section XV, subsection A.I., the factor for broker/dealer Members shall be calculated as follows:~~

$$\frac{\text{average daily Envelope Settlement System}^8 \text{ debits}}{\text{excess net capital}} \quad \text{‘factor}$$

~~The factor calculation shall be adjusted in order to provide a minimum of one with a maximum of three.~~

~~For all other Members there shall be no factor adjustment until such time as the Corporation determines the appropriateness of developing a factor calculation for such Members.~~

~~A.IV. Collateral Value of Eligible Clearing Fund Securities~~

~~Eligible Clearing Fund Securities pledged to secure Clearing Fund deposits shall be haircut as follows, or as otherwise determined by the Corporation from time to time:~~

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<sup>8</sup> ~~As used in this Section A.III., the term “Envelope Settlement System” shall mean such non-CNS activity, other than DTC Sponsored Account activity, as the Corporation may determine from time to time.~~

Security Type	Remaining Maturity	Haircut
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### 1. Treasury

<b>Bills, Notes, Bonds, TIPS</b>	<b>Zero to 1 year</b>	<b>2.0%</b>
	<b>1 year to 2 years</b>	<b>2.0%</b>
	<b>2 years to 5 years</b>	<b>3.0%</b>
	<b>5 years to 10 years</b>	<b>4.0%</b>
	<b>10 years to 15 years</b>	<b>5.0%</b>
	<b>15 years or greater</b>	<b>6.0%</b>
<b>Zero Coupon</b>	<b>Zero to 1 year</b>	<b>2.0%</b>
	<b>1 year to 2 years</b>	<b>2.0%</b>
	<b>2 years to 5 years</b>	<b>4.0%</b>
	<b>5 years to 10 years</b>	<b>6.0%</b>
	<b>10 years to 15 years</b>	<b>7.0%</b>
	<b>15 years or greater</b>	<b>9.0%</b>

### 2. Agency\*

<b>Notes, Bonds</b>	<b>Zero to 1 year</b>	<b>2.0%</b>
	<b>1 year to 2 years</b>	<b>3.0%</b>
	<b>2 years to 5 years</b>	<b>4.0%</b>
	<b>5 years to 10 years</b>	<b>5.0%</b>
	<b>10 years to 15 years</b>	<b>6.0%</b>
	<b>15 years or greater</b>	<b>7.0%</b>
<b>Zero Coupon</b>	<b>Zero to 1 year</b>	<b>2.0%</b>
	<b>1 year to 2 years</b>	<b>3.0%</b>
	<b>2 years to 5 years</b>	<b>5.0%</b>
	<b>5 years to 10 years</b>	<b>7.0%</b>
	<b>10 years to 15 years</b>	<b>8.0%</b>
	<b>15 years or greater</b>	<b>10.0%</b>

### 3. Mortgage-Backed Security

<b>Pass-Throughs*</b>	<b>Ginnie Mae</b>	<b>6.0%</b>
	<b>Fannie Mae/Freddie Mac</b>	<b>7.0%</b>

<sup>z</sup> Any deposits of Eligible Clearing Fund Agency Securities or Eligible Clearing Fund Mortgage-Backed Securities in excess of 25 percent of a Member's Required Clearing Fund deposit will be subject to a haircut that is twice the amount of the percentage noted in the haircut schedule. Eligibility requirements will be announced by the Corporation from time to time.

~~Self-issued<sup>\*\*</sup> \_\_\_\_\_ 14% (or 21% if  
if 25%  
concentration  
limit is exceeded)~~

~~B. Additional Mark-to-the-market Payments~~

~~Pursuant to Rule 15, the Corporation has the authority to require such adequate assurances of financial responsibility and operational capability as the Corporation may at any time or from time to time deem necessary or advisable, and thus may require an additional mark-to-the-market payment (“additional mark”) from Members in view of price fluctuations in or volatility or lack of liquidity of any security. The Corporation shall make any such determination based on such factors as the Corporation determines to be appropriate from time to time.~~

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~~\*\* A Member may deposit Eligible Clearing Fund Mortgage-Backed Securities of which it is the issuer, however such securities will be subject to a premium haircut. This haircut shall be 14% as an initial matter. If a Member also exceeds the 25% concentration limit, the haircut shall be 21%.~~