

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \*       SECURITIES AND EXCHANGE COMMISSION      File No.\* SR -  - \*   
 WASHINGTON, D.C. 20549      Form 19b-4      Amendment No. (req. for Amendments \*)

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

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

<b>Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010</b>	<b>Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934</b>
<b>Section 806(e)(1) *</b>	<b>Section 806(e)(2) *</b>
<input type="checkbox"/>	<input type="checkbox"/>
	<b>Section 3C(b)(2) *</b>
	<input type="checkbox"/>

<b>Exhibit 2 Sent As Paper Document</b>	<b>Exhibit 3 Sent As Paper Document</b>
<input type="checkbox"/>	<input type="checkbox"/>

**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

Proposed rule change to terminate the Commission Billing service and the Commission Billing type of limited membership

**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 action.

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.

(Title \*)

Date         
 By      

(Name \*)

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 EFFF 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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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, security-based swap submission, or advance notice 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 Proposed Rule Change**

(a) The proposed rule change of National Securities Clearing Corporation (“NSCC”) is attached hereto as Exhibit 5 and consists of modifications to the Rules and Procedures of NSCC (“Rules”)<sup>1</sup> in order to terminate the Commission Billing service and the Commission Billing type of limited membership, as described below.

(b) Not applicable.

(c) Not applicable.

**2. Procedures of the Self-Regulatory Organization**

The proposed rule change was approved by the Business, Technology and Operations Committee of the Board of Directors of NSCC at a meeting duly called and held on June 19, 2017.

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

(a) Purpose

NSCC is proposing to revise its Rules in order to discontinue its Commission Billing service and the Commission Billing type of limited membership, for the reasons described below.

***Overview of the Commission Billing Service***

As currently described in Rule 16, NSCC provides a service through which it facilitates the payment of commissions on monthly basis between its Members and Commission Billing Members.<sup>2</sup> Brokers that use this service to charge and collect commissions are Commission Billing Members, which is a type of limited membership that allows these firms to participate in NSCC solely for the collection of commissions.

Currently, Commission Billing Members are floor broker firms that are members of the New York Stock Exchange (“NYSE”) and NYSE American (formerly the American Stock Exchange), although historically the service was available to floor broker firms on any U.S.

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<sup>1</sup> Available at <http://www.dtcc.com/legal/rules-and-procedures>. Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such terms in the Rules.

<sup>2</sup> Id.

exchange. As provided for in Rule 2 of the Rules, Commission Billing Members participate solely in the collection and payment of commissions as provided for under Rule 16 of the Rules.<sup>3</sup>

Floor broker firms execute trades on behalf of their clients for a commission. In order to process commission charges applied to clients who are Members, floor broker firms that are Commission Billing Members may submit these charges to NSCC. Commission charges are submitted to NSCC in one of two ways. In most cases, where the Commission Billing Member is a member of NYSE, NYSE may act as a payment-data aggregator and creates and submits payment files to NSCC. Alternatively, Commission Billing Members may submit payments directly to NSCC through a web-based system. NSCC tabulates all payment records received on a monthly basis, and either sends amounts to The Depository Trust Company (“DTC”) for payment (for billed Members that are also Participants of DTC) or processes payments through Automated Clearing House, or “ACH,” payments.

For many years, the Commission Billing service provided these brokers and Members with an efficient way to submit and receive commission payments when few alternative payment options existed in the industry that would handle the large volume of transactions.

#### ***Rationale for Terminating the Commission Billing Service and Commission Billing Limited Membership***

NSCC is proposing to terminate the Commission Billing service for a number of reasons, as described below. Because the Commission Billing type of limited membership exists only for the purposes of the use of this service, NSCC would terminate the existing Commission Billing memberships simultaneously with the termination of the service.

Over the years, the volumes of trades handled by floor brokers firms have decreased, leading to a significant decrease in commission bill transactions and the use of this service. Between January 2017 and June 2018, the Commission Billing service processed an average of approximately 87 commission payments per month (averaging a total of approximately \$370,000 each month), compared to an average of approximately 10,000 commission payments per month in the early 2000’s. The number of Commission Billing Members has also declined, with only seven new firms joining over the last eight years. Commission Billing Members have alternative methods to process commission payments. For example, firms may process the charges and payments through their own accounts payable systems, charging and collecting payments from their clients directly. Due to the lower volumes of commission payments, this is a more reasonable alternative to the Commission Billing Service than it may have been when volumes of payments were higher. Therefore, the industry’s reliance on this service, which was built to provide an efficient way to process large volumes of payments, has been diminishing.

Since the introduction of the service, NSCC has provided the Commission Billing service as a utility service to the industry and its Members; the service provided its Members and the industry with value, but it was not designed to generate profit for NSCC. Over time, the reduced volumes of transactions has caused this service to be provided at a financial loss to NSCC. Costs

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<sup>3</sup> Id.

of providing the service include engaging an ACH settling bank and ongoing system operating costs.

Additionally, due to the use of legacy systems that lack automation and support features, the service continues to rely on manual processes and requires personnel involvement. While errors in the operation of the service are infrequent, the reliance on manual processes creates a risk of such errors. Remediation of such errors, if they occur, could distract support resources from higher priority tasks. NSCC would be required to invest in enhancements to the systems that support the Commission Billing service if it continued to offer the service.

Therefore, due to the reduced reliance on this service by the industry, the cost of providing this service, and the availability of other methods for Members and brokers to process these payments, NSCC is proposing to terminate the Commission Billing service.

In order to terminate the Commission Billing service, NSCC would amend the Rules to remove Rule 16 (Settlement of Commissions) and to remove references to the Commission Billing type of limited membership from Rule 1 (Definitions and Descriptions), Rule 2 (Members and Limited Members), Rule 2A (Initial Membership Requirements), Rule 2B (Ongoing Membership Requirements and Monitoring), Rule 18 (Procedures for When the Corporation Declines or Ceases to Act), Rule 22 (Suspension of Rules), Rule 24 (Charges for Services Rendered), Rule 26 (Bills Rendered), Rule 34 (Insurance), Rule 37 (Hearing Procedures), Rule 46 (Restrictions on Access to Services), Rule 58 (Limitations on Liability), Rule 64 (DTCC Shareholders Agreement), Addendum A (Fee Structure), Addendum B (Qualifications and Standards of Financial Responsibility, Operational Capability and Business History), Addendum D (Statement of Policy Envelope Settlement Service, Mutual Fund Services, Insurance and Retirement Processing Services, and Other Services Offered by the Corporation), and Addendum P (Fine Schedule). NSCC would also make necessary conforming changes to Addendum B (Qualifications and Standards of Financial Responsibility, Operational Capability and Business History) and Rule 1 (Definitions and Descriptions). Finally, NSCC would add a legend to each of the above listed Rules and Addenda that identifies the implementation date of the proposed changes.

### ***Implementation Timeframe***

Given that all current Commission Billing Members are floor broker members of NYSE and NYSE American, NSCC will work closely with these exchanges to provide these firms with notice of the proposed termination of this service and their related limited memberships with NSCC. NSCC also would provide these firms with time to transition to alternative methods for the submission of charges and receipt of commission payments. Subject to the approval of this proposed rule change filing, NSCC would implement this proposed rule change and terminate the Commission Billing service by no later than November 30, 2018.

### **(b) Statutory Basis**

NSCC believes that the proposed changes are consistent with the Section 17A(b)(3)(F) of the Securities Exchange Act of 1934 (“Act”), which requires, in part, that the rules of a registered clearing agency be designed to promote the prompt and accurate clearance and

settlement of securities transactions, for the reasons described below.<sup>4</sup> The proposed rule change would terminate a service that takes up various resources (through its reliance on manual operations and by operating at a financial loss) and is no longer relied on by Members and the industry. Because NSCC would no longer need to divert resources to an underutilized service, the proposed rule change would afford NSCC the ability to employ those resources in a manner that could better support and promote the prompt and accurate clearance and settlement of securities transactions. In that way, NSCC believes the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act.<sup>5</sup>

Rule 17Ad-22(e)(21)(iv) under the Act requires, in part, that NSCC be efficient and effective in meeting the requirements of its participants and the markets it serves, and have the covered clearing agency's management regularly review the efficiency and effectiveness of its use of technology and communication procedures.<sup>6</sup> As described above, to continue providing the Commission Billing service, NSCC would need to enhance the systems and technology used to operate the system in order to implement more automation and support features. However, given that the service currently operates at a financial loss and does not provide the industry with the same value that it has in the past, NSCC has determined that it would be more efficient and effective in meeting the requirements of its Members to eliminate the service and instead use its resources for higher priority services. Therefore, NSCC believes the proposed rule change is consistent with Rule 17Ad-22(e)(21)(iv).<sup>7</sup>

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

The proposed rule change could have an impact on competition because Commission Billing Members that currently use the service to process their commission bills, and firms that may apply to use the service in the future, would no longer be able to do so. However, NSCC does not believe that the impact of this proposed rule change on competition would be significant. First, the proposal is unlikely to have a significant impact because the use of the service has diminished over time, as described above. NSCC has not onboarded a new Commission Billing Member in over two years, and the number of active Commission Billing Members has declined over time. Therefore, elimination of the service is unlikely to impact many firms that may wish to join as Commission Billing Members in the future. Second, while current Commission Billing Members would need to use other methods to process commission payments, alternatives currently exist, including using their own accounts payable system. Given that volumes of commission bills have trended lower over the past few years, these firms should not incur a significant cost in processing commission bills and collecting commission

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<sup>4</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>5</sup> Id.

<sup>6</sup> 17 CFR 240.17Ad-22(e)(21)(iv).

<sup>7</sup> Id.

payments through their own internal billing systems. Therefore, NSCC does not believe that the proposed rule change would have a significant impact on competition.

NSCC also believes that any impact the proposed rule change may have on competition would be both necessary and appropriate in furtherance of the purposes of the Act.

The proposed rule change would afford NSCC the option to utilize its resources for matters that better support and promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.<sup>8</sup> The proposed rule change would also allow NSCC to be more efficient and effective in meeting the requirements of its Members by using its resources for higher priority services, consistent with Rule 17Ad-22(e)(21)(iv) under the Act.<sup>9</sup> Therefore, by advancing NSCC's ability to meet the requirements of both Section 17A(b)(3)(F) of the Act<sup>10</sup> and Rule 17Ad-22(e)(21)(iv) under the Act,<sup>11</sup> NSCC believes any impact the proposed rule change may have on competition would be necessary in furtherance of the purposes of the Act.

Additionally, NSCC believes that the proposed rule change is a reasonable method of advancing NSCC's ability to meet these requirements. As noted above, Members' use of this service has reduced over time, and the cost to NSCC of providing the service has outweighed the benefit it provides to the industry. NSCC would provide Members and Commission Billing Members with notice and time to transition to other viable methods for processing these payments. Therefore, NSCC believes the proposed rule change is a reasonable method of advancing NSCC's ability to meet the requirements of both Section 17A(b)(3)(F) of the Act<sup>12</sup> and Rule 17Ad-22(e)(21)(iv) under the Act.<sup>13</sup>

Therefore, NSCC does not believe that the proposed rule change would have a significant impact on competition, and further believes that any such impact would be both necessary and appropriate in furtherance of the purposes of the Act.

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<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>9</sup> 17 CFR 240.17Ad-22(e)(21)(iv).

<sup>10</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>11</sup> 17 CFR 240.17Ad-22(e)(21)(iv).

<sup>12</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>13</sup> 17 CFR 240.17Ad-22(e)(21)(iv).

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

NSCC has not solicited or received any written comments relating to this proposal. NSCC will notify the Commission of any written comments that it receives.

**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.<sup>14</sup>

**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**

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

**9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

**10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable.

**11. Exhibits**

Exhibit 1 – Not applicable.

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

Exhibit 2 – Not applicable.

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<sup>14</sup> 15 U.S.C. 78s(b)(2).



Exhibit 3 – Not applicable.

Exhibit 4 – Not applicable.

Exhibit 5 – Proposed changes to the Rules.

**EXHIBIT 1A**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-[\_\_\_\_\_]; File No. SR-NSCC-2018-004)

[DATE]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of a Proposed Rule Change to Terminate the Commission Billing Service and the Commission Billing Limited Membership

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July \_\_, 2018, National Securities Clearing Corporation (“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 the clearing agency. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of amendments to Rules and Procedures of NSCC (“Rules”) in order to in order to terminate the Commission Billing service and the Commission Billing type of limited membership, as described in greater detail below.<sup>3</sup>

II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the proposed rule change and discussed any

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Available at <http://www.dtcc.com/legal/rules-and-procedures>. Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such terms in the Rules.

comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

NSCC is proposing to revise its Rules in order to discontinue its Commission Billing service and the Commission Billing type of limited membership, for the reasons described below.

***Overview of the Commission Billing Service***

As currently described in Rule 16, NSCC provides a service through which it facilitates the payment of commissions on monthly basis between its Members and Commission Billing Members.<sup>4</sup> Brokers that use this service to charge and collect commissions are Commission Billing Members, which is a type of limited membership that allows these firms to participate in NSCC solely for the collection of commissions.

Currently, Commission Billing Members are floor broker firms that are members of the New York Stock Exchange ("NYSE") and NYSE American (formerly the American Stock Exchange), although historically the service was available to floor broker firms on any U.S. exchange. As provided for in Rule 2 of the Rules, Commission Billing Members participate solely in the collection and payment of commissions as provided for under Rule 16 of the Rules.<sup>5</sup>

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<sup>4</sup> Id.

<sup>5</sup> Id.

Floor broker firms execute trades on behalf of their clients for a commission. In order to process commission charges applied to clients who are Members, floor broker firms that are Commission Billing Members may submit these charges to NSCC. Commission charges are submitted to NSCC in one of two ways. In most cases, where the Commission Billing Member is a member of NYSE, NYSE may act as a payment-data aggregator and creates and submits payment files to NSCC. Alternatively, Commission Billing Members may submit payments directly to NSCC through a web-based system. NSCC tabulates all payment records received on a monthly basis, and either sends amounts to The Depository Trust Company (“DTC”) for payment (for billed Members that are also Participants of DTC) or processes payments through Automated Clearing House, or “ACH,” payments.

For many years, the Commission Billing service provided these brokers and Members with an efficient way to submit and receive commission payments when few alternative payment options existed in the industry that would handle the large volume of transactions.

***Rationale for Terminating the Commission Billing Service and Commission Billing Limited Membership***

NSCC is proposing to terminate the Commission Billing service for a number of reasons, as described below. Because the Commission Billing type of limited membership exists only for the purposes of the use of this service, NSCC would terminate the existing Commission Billing memberships simultaneously with the termination of the service.

Over the years, the volumes of trades handled by floor brokers firms have decreased, leading to a significant decrease in commission bill transactions and the use of

this service. Between January 2017 and June 2018, the Commission Billing service processed an average of approximately 87 commission payments per month (averaging a total of approximately \$370,000 each month), compared to an average of approximately 10,000 commission payments per month in the early 2000's. The number of Commission Billing Members has also declined, with only seven new firms joining over the last eight years. Commission Billing Members have alternative methods to process commission payments. For example, firms may process the charges and payments through their own accounts payable systems, charging and collecting payments from their clients directly. Due to the lower volumes of commission payments, this is a more reasonable alternative to the Commission Billing Service than it may have been when volumes of payments were higher. Therefore, the industry's reliance on this service, which was built to provide an efficient way to process large volumes of payments, has been diminishing.

Since the introduction of the service, NSCC has provided the Commission Billing service as a utility service to the industry and its Members; the service provided its Members and the industry with value, but it was not designed to generate profit for NSCC. Over time, the reduced volumes of transactions has caused this service to be provided at a financial loss to NSCC. Costs of providing the service include engaging an ACH settling bank and ongoing system operating costs.

Additionally, due to the use of legacy systems that lack automation and support features, the service continues to rely on manual processes and requires personnel involvement. While errors in the operation of the service are infrequent, the reliance on manual processes creates a risk of such errors. Remediation of such errors, if they occur, could distract support resources from higher priority tasks. NSCC would be required to

invest in enhancements to the systems that support the Commission Billing service if it continued to offer the service.

Therefore, due to the reduced reliance on this service by the industry, the cost of providing this service, and the availability of other methods for Members and brokers to process these payments, NSCC is proposing to terminate the Commission Billing service.

In order to terminate the Commission Billing service, NSCC would amend the Rules to remove Rule 16 (Settlement of Commissions) and to remove references to the Commission Billing type of limited membership from Rule 1 (Definitions and Descriptions), Rule 2 (Members and Limited Members), Rule 2A (Initial Membership Requirements), Rule 2B (Ongoing Membership Requirements and Monitoring), Rule 18 (Procedures for When the Corporation Declines or Ceases to Act), Rule 22 (Suspension of Rules), Rule 24 (Charges for Services Rendered), Rule 26 (Bills Rendered), Rule 34 (Insurance), Rule 37 (Hearing Procedures), Rule 46 (Restrictions on Access to Services), Rule 58 (Limitations on Liability), Rule 64 (DTCC Shareholders Agreement), Addendum A (Fee Structure), Addendum B (Qualifications and Standards of Financial Responsibility, Operational Capability and Business History), Addendum D (Statement of Policy Envelope Settlement Service, Mutual Fund Services, Insurance and Retirement Processing Services, and Other Services Offered by the Corporation), and Addendum P (Fine Schedule). NSCC would also make necessary conforming changes to Addendum B (Qualifications and Standards of Financial Responsibility, Operational Capability and Business History) and Rule 1 (Definitions and Descriptions). Finally, NSCC would add a legend to each of the above listed Rules and Addenda that identifies the implementation date of the proposed changes.

### *Implementation Timeframe*

Given that all current Commission Billing Members are floor broker members of NYSE and NYSE American, NSCC will work closely with these exchanges to provide these firms with notice of the proposed termination of this service and their related limited memberships with NSCC. NSCC also would provide these firms with time to transition to alternative methods for the submission of charges and receipt of commission payments. Subject to the approval of this proposed rule change filing, NSCC would implement this proposed rule change and terminate the Commission Billing service by no later than November 30, 2018.

### 2. Statutory Basis

NSCC believes that the proposed changes are consistent with the Section 17A(b)(3)(F) of the Act, which requires, in part, that the rules of a registered clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, for the reasons described below.<sup>6</sup> The proposed rule change would terminate a service that takes up various resources (through its reliance on manual operations and by operating at a financial loss) and is no longer relied on by Members and the industry. Because NSCC would no longer need to divert resources to an underutilized service, the proposed rule change would afford NSCC the ability to employ those resources in a manner that could better support and promote the prompt and accurate clearance and settlement of securities transactions. In that way, NSCC believes the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act.<sup>7</sup>

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<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>7</sup> Id.

Rule 17Ad-22(e)(21)(iv) under the Act requires, in part, that NSCC be efficient and effective in meeting the requirements of its participants and the markets it serves, and have the covered clearing agency's management regularly review the efficiency and effectiveness of its use of technology and communication procedures.<sup>8</sup> As described above, to continue providing the Commission Billing service, NSCC would need to enhance the systems and technology used to operate the system in order to implement more automation and support features. However, given that the service currently operates at a financial loss and does not provide the industry with the same value that it has in the past, NSCC has determined that it would be more efficient and effective in meeting the requirements of its Members to eliminate the service and instead use its resources for higher priority services. Therefore, NSCC believes the proposed rule change is consistent with Rule 17Ad-22(e)(21)(iv).<sup>9</sup>

(B) Clearing Agency's Statement on Burden on Competition

The proposed rule change could have an impact on competition because Commission Billing Members that currently use the service to process their commission bills, and firms that may apply to use the service in the future, would no longer be able to do so. However, NSCC does not believe that the impact of this proposed rule change on competition would be significant. First, the proposal is unlikely to have a significant impact because the use of the service has diminished over time, as described above. NSCC has not onboarded a new Commission Billing Member in over two years, and the number of active Commission Billing Members has declined over time. Therefore,

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<sup>8</sup> 17 CFR 240.17Ad-22(e)(21)(iv).

<sup>9</sup> Id.



elimination of the service is unlikely to impact many firms that may wish to join as Commission Billing Members in the future. Second, while current Commission Billing Members would need to use other methods to process commission payments, alternatives currently exist, including using their own accounts payable system. Given that volumes of commission bills have trended lower over the past few years, these firms should not incur a significant cost in processing commission bills and collecting commission payments through their own internal billing systems. Therefore, NSCC does not believe that the proposed rule change would have a significant impact on competition.

NSCC also believes that any impact the proposed rule change may have on competition would be both necessary and appropriate in furtherance of the purposes of the Act.

The proposed rule change would afford NSCC the option to utilize its resources for matters that better support and promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.<sup>10</sup> The proposed rule change would also allow NSCC to be more efficient and effective in meeting the requirements of its Members by using its resources for higher priority services, consistent with Rule 17Ad-22(e)(21)(iv) under the Act.<sup>11</sup> Therefore, by advancing NSCC's ability to meet the requirements of both Section 17A(b)(3)(F) of the Act<sup>12</sup> and Rule 17Ad-22(e)(21)(iv) under the Act,<sup>13</sup> NSCC believes any impact the

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<sup>10</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>11</sup> 17 CFR 240.17Ad-22(e)(21)(iv).

<sup>12</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>13</sup> 17 CFR 240.17Ad-22(e)(21)(iv).

proposed rule change may have on competition would be necessary in furtherance of the purposes of the Act.

Additionally, NSCC believes that the proposed rule change is a reasonable method of advancing NSCC's ability to meet these requirements. As noted above, Members' use of this service has reduced over time, and the cost to NSCC of providing the service has outweighed the benefit it provides to the industry. NSCC would provide Members and Commission Billing Members with notice and time to transition to other viable methods for processing these payments. Therefore, NSCC believes the proposed rule change is a reasonable method of advancing NSCC's ability to meet the requirements of both Section 17A(b)(3)(F) of the Act<sup>14</sup> and Rule 17Ad-22(e)(21)(iv) under the Act.<sup>15</sup>

Therefore, NSCC does not believe that the proposed rule change would have a significant impact on competition, and further believes that any such impact would be both necessary and appropriate in furtherance of the purposes of the Act.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

NSCC has not solicited or received any written comments relating to this proposal. NSCC will notify the Commission of any written comments that it receives.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds

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<sup>14</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>15</sup> 17 CFR 240.17Ad-22(e)(21)(iv).

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 or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule 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:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NSCC-2018-004 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-NSCC-2018-004. 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 website (<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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of NSCC and on DTCC's website (<http://dtcc.com/legal/sec-rule-filings.aspx>). All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NSCC-2018-004 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

Secretary

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<sup>16</sup> 17 CFR 200.30-3(a)(12).



**NATIONAL  
SECURITIES  
CLEARING  
CORPORATION**

**RULES & PROCEDURES**

**TEXT OF PROPOSED RULE CHANGE**

**Bold and underlined** text indicates proposed added language.

**~~Bold and strikethrough~~** text indicates proposed deleted language.

**[Changes to this Rule 1, as amended by File No. SR-NSCC-2018-004, are available at dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf. These changes have been approved by the SEC but have not yet been implemented. By no later than November 30, 2018, these changes will be implemented and this legend will automatically be removed from this Rule 1.]**

## RULE 1. DEFINITIONS AND DESCRIPTIONS

Unless the context requires otherwise, the terms defined in this Rule shall, for all purposes of these Rules, have the meanings herein specified.

\* \* \*

### *AIP Member*

The term “AIP Member” means any Person who is specified in Section 2.(ii)(**hi**) of Rule 2 and has qualified pursuant to the provisions of Rule 2A.

\* \* \*

### *AIP Settling Bank*

The term “AIP Settling Bank” means

(1) an AIP Member which is a bank or trust company which would otherwise qualify under Section 2. (**ii**)(**ij**) of Rule 2, Rule 2A and which is a party to an effective Appointment of AIP Settling Bank and AIP Settling Bank Agreement whereby the AIP Member undertakes to perform settlement services for the AIP Member or the AIP Non-Member Fund which is a party thereto, or

(2) an AIP Settling Bank Only Member which has qualified under Section 2. (ii)(**ij**) of Rule 2, Rule 2A and Addendum B and which is a party to an effective Appointment of AIP Settling Bank and AIP Settling Bank Agreement whereby the AIP Settling Bank Only Member undertakes to perform settlement services for the AIP Member or the AIP Non-Member Fund which is a party thereto.

### *AIP Settling Bank Only Member*

The term AIP “Settling Bank Only Member” means a Person who is specified in Section 2(ii)(**ij**) of Rule 2 and which has qualified pursuant to the provisions of Rule 2A.

\* \* \*

***Commission Billing Member***

~~The term “Commission Billing Member” (previously referred to as a Non-Clearing Member) means a Person who is specified in Section 2.(ii)(a) of Rule 2 and has qualified pursuant to the provisions of Rule 2A.~~

\* \* \*

***Data Services Only Member***

The term “Data Services Only Member” means a Person who is specified in Section 2.(ii)(~~ab~~) of Rule 2 and has qualified pursuant to the provisions of Rule 2A.

\* \* \*

***Fund Member***

The term "Fund Member" (previously referred to as a Fund/Serv Member) means any Person who is specified in Section 2.(ii)(~~bc~~) of Rule 2 and has qualified pursuant to the provisions of Rule 2A.

\* \* \*

***Insurance Carrier/Retirement Services Member***

The term “Insurance Carrier/Retirement Services Member” (previously referred to as an Insurance Carrier Member) means any Person who is specified in Section 2.(ii)(~~cd~~) of Rule 2 and who has qualified pursuant to the provisions of Rule 2A.

\* \* \*

***Investment Manager/Agent Member***

The term “Investment Manager/Agent Member” (or IMA Member) means any Person who is specified in Section 2. (ii)(~~jk~~) of Rule 2 and has qualified pursuant to the provisions of Rule 2A.

\* \* \*

***Municipal Comparison Only Member***

The term "Municipal Comparison Only Member" means any municipal securities broker or municipal securities dealer, as defined in Section 3(a)(30) and 3(a)(31) respectively, of the Securities Exchange Act of 1934, as amended, who is specified in Section 2.(ii)(~~de~~) of Rule 2 and has qualified pursuant to the provisions of Rule 2A.

\* \* \*

*Mutual Fund/Insurance Services Member*

The term “Mutual Fund/Insurance Services Member”<sup>1</sup> means a Person who is specified in Section 2.(ii)(**ef**) of Rule 2 and has qualified pursuant to the provisions of Rule 2A.

\* \* \*

~~**Non-Clearing Member – (See “Commission Billing Member”)**~~

\* \* \*

*Settling Bank*

The term “Settling Bank” means

(1) a Member which is a bank or trust company which would otherwise qualify under Section 2.(ii)(**fg**) of Rule 2, Rule 2A and which is a party to an effective Appointment of Settling Bank and Settling Bank Agreement whereby the Member undertakes to perform settlement services for a Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Fund Member which is a party thereto, or

(2) a Settling Bank Only Member which has qualified under Section 2.(ii)(**fg**) of Rule 2, Rule 2A and Section 8 of Addendum B and which is a party to an effective Appointment of Settling Bank and Settling Bank Agreement whereby the Settling Bank Only Member undertakes to perform settlement services for the Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Fund Member which is a party thereto.

*Settling Bank Only Member*

The term “Settling Bank Only Member” means a Person who is specified in Section 2.(ii)(**fg**) of Rule 2 and which has qualified pursuant to the provisions of Rule 2A.

\* \* \*

*Third Party Administrator Member*

The term “Third Party Administrator Member”(or “TPA Member”) means any Person that acts as a third party administrator on behalf of a retirement or other benefit plan, who is specified in Section 2.(ii)(**gh**) of Rule 2 and has qualified pursuant to the provisions of Rule 2A.

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<sup>1</sup> The members now known as “Mutual Fund/Insurance Services Members” were previously known as either “Mutual Fund Services Members” or “Annuities Agency Members”. The members known as “Mutual Fund Services Members” were, at one point, referred to as “Mutual Fund Services Broker-Dealers” or “Fund/SERV Broker-Dealers”.



*Third Party Provider Member*

The term “Third Party Provider Member” (or TPP Member) means any Person that acts as a routing platform for financial intermediaries, who is specified in Section 2.(ii)(~~k~~) of Rule 2 and has qualified pursuant to the provisions of Rule 2A.

\* \* \*

**[Changes to this Rule 2, as amended by File No. SR-NSCC-2018-004, are available at dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf. These changes have been approved by the SEC but have not yet been implemented. By no later than November 30, 2018, these changes will be implemented and this legend will automatically be removed from this Rule 2.]**

## RULE 2. MEMBERS AND LIMITED MEMBERS

SEC. 1. The Corporation shall make its services, or certain of its services, available to Persons who (i) apply to the Corporation to act for them, (ii) meet the membership qualifications specified in these Rules, (iii) are approved by the Corporation or the Board of Directors, as applicable, and (iv) if required, have contributed to the Clearing Fund as provided in Rule 4.

### SEC. 2. Membership Types

The Corporation shall have the following membership types:

(i) Member -

A Member, unless otherwise limited by the Corporation pursuant to these Rules, may generally access all services made available by the Corporation. Only Members shall be entitled to settle contracts through the Corporation and to participate in the Comparison and Recording Operation and Accounting Operation.

(ii) Limited Members -

In addition to Members, upon the request of an applicant, the Corporation may approve an application by a Person to become a Limited Member, whose use of the Corporation's services is limited to those services specified by the Corporation. Such Limited Members will be termed as follows:

~~(a) Commission Billing Member<sup>4</sup>~~

~~Participates solely in the collection and payment of commissions as provided for under Rule 16.~~

~~(a)~~ Data Services Only Member –

Participates solely in the transmission of data and information, and shall utilize only those features of services that the Corporation may, from time to time, expressly

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<sup>4</sup> ~~Formerly referred to in these Rules as a “Non-Clearing Member”.~~

designate as eligible for access by a Data Services Only Member.

**(be)** Fund Member –

Participates in the Corporation's Mutual Fund Services, acting as a mutual fund's 1) principal underwriter, 2) co-distributor, 3) sub-distributor, or 4) an entity that is otherwise authorized to process transactions on behalf of a mutual fund.

**(cd)** Insurance Carrier/Retirement Services Member -

Participates in the Corporation's Insurance and Retirement Processing Services as provided for in Rule 57.

**(de)** Municipal Comparison Only Member –

Participates in the Corporation's Comparison Operation, solely for the comparison of municipal securities transactions.

**(ef)** Mutual Fund/Insurance Services Member -

Participates in the Corporation's Mutual Fund Services and Insurance and Retirement Processing Services as provided for in Rules 52 and 57.

**(fg)** Settling Bank Only Member -

Undertakes to perform settlement services with respect to transactions or matters covered by these Rules on behalf of Members, Fund Members, Mutual Fund/Insurance Services Members and Insurance Carrier/Retirement Services Members.

**(gh)** Third Party Administrator Member -

Participates in the Corporation's Mutual Fund Services for the purpose of communicating order, redemption or other information on behalf of a retirement or other benefit plan.

**(hi)** AIP Member

Participates in the Corporation's AIP Services as provided in Rule 53.

(ij) AIP Settling Bank Only Member

Undertaken to perform settlement services with respect to AIP Settlement on behalf of AIP Members and/or AIP Non-Member Funds.

(jk) Investment Manager/Agent (“IMA”) Member

Participates in the Corporation’s Mutual Fund Services as or on behalf of one or more investment managers to a managed account or similar program.

(kl) Third Party Provider Member -

Participates in the Corporation’s Mutual Fund Services as a routing platform for financial intermediaries.

When these Rules refer to “Members and Limited Members”, the reference includes all member types; when reference is made to “participants” in these Rules, the reference generally means all participants other than Settling Bank Only Members, unless the context makes clear it refers to one or more specific member types.

\* \* \*

SEC 4. Compliance with Applicable Law

(i) General

Members and Limited Members may not submit or confirm any transaction, charge, request, instruction or transmission through the Corporation’s services, nor otherwise utilize the Corporation’s services, in contravention of any law, rule, regulation or statute, including, but not limited to, those related to securities, taxation and money laundering, as well as sanctions administered and enforced by the Office of Foreign Assets Control (“OFAC”).

(ii) OFAC

All Members and Limited Members must agree not to conduct any transaction or activity through NSCC that it knows to violate sanctions administered and enforced by OFAC.

All Members and Limited Members subject to the jurisdiction of the U.S. (as defined by OFAC regulations), with the exception of **Commission-Billing Members**, Data Services Only Members, Municipal Comparison Only Members, Third Party Administrator Members and Investment Manager/Agent Member are required to periodically confirm that they have implemented a risk-based program reasonably designed to comply with applicable OFAC sanctions regulations.

Failure to do so in the manner and timeframes set forth by the Corporation from time to time will result in a fine.

\* \* \*

**[Changes to this Rule 2A, as amended by File No. SR-NSCC-2018-004, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf](http://dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf). These changes have been approved by the SEC but have not yet been implemented. By no later than November 30, 2018, these changes will be implemented and this legend will automatically be removed from this Rule 2A.]**

## RULE 2A. INITIAL MEMBERSHIP REQUIREMENTS

### SEC. 1. ELIGIBILITY FOR MEMBERSHIP

In furtherance of the Corporation's rights and authority to establish standards for membership, the Corporation shall establish, as it deems necessary or appropriate, standards of financial responsibility, operational capability, experience and competence for membership applicable to Members and to Limited Members. The Corporation shall also establish guidelines for the application of such membership standards.

\* \* \*

In addition to the above:

#### 1. Members:

Members that are Municipal Securities Brokers' Broker sponsored account applicants shall sign and deliver to the Corporation an agreement in writing whereby the applicant shall agree that (i) if securities received on a business day are pledged prior to money settlement on that business day, the Corporation shall be paid directly by the pledgee bank the amount the applicant is required to pay for the securities received or the applicant's net settlement obligation for that business day, whichever is less; and (ii) no securities received on a business day through a qualified securities depository shall be placed in transfer, withdrawn or delivered to a third party for no value prior to paying the Corporation the amount the applicant is obligated to pay for the receipt of the securities or the applicant's net settlement obligation for that business day, whichever is less.

#### 2. Third Party Administrator Members, Third Party Provider Members and Investment Manager/Agent Members:

Applicants for Third Party Administrator Member, Third Party Provider Member and Investment Manager/Agent Members shall sign and deliver to the Corporation, (i) documentation and/or agreements in such form as required by the Corporation from time to time, for the payment or collection of charges pursuant to Rule 26 of the Corporation for the processing of transactions through the Mutual Fund Services and (ii) a duly completed Consent And Authorization Form, designating the Member(s)/Mutual Fund/Insurance Services Member(s) who will be responsible for the settlement of orders initiated by the applicant.

Each applicant to become a ~~Commission Billing Member~~, Settling Bank Only Member or Municipal Comparison Only Member shall sign and deliver to the Corporation such instruments in writing as the Corporation may require from time to time.

\* \* \*

**[Changes to this Rule 2B, as amended by File No. SR-NSCC-2018-004, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf](http://dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf). These changes have been approved by the SEC but have not yet been implemented. By no later than November 30, 2018, these changes will be implemented and this legend will automatically be removed from this Rule 2B.]**

RULE 2B. ONGOING MEMBERSHIP REQUIREMENTS AND MONITORING

SEC. 1. REQUIREMENTS

The qualifications and standards provided for in Rule 2A<sup>1</sup> shall be continuing membership requirements. In addition, each Member, Fund Member, Insurance Carrier/Retirement Services Member, Municipal Comparison Only Member, Mutual Fund/Insurance Services Member, Data Services Only Member, Settling Bank Only Member, ~~Commission Billing Member~~, Third Party Administrator Member, Third Party Provider Member, Investment Manager/Agent Member and AIP Member shall comply with the ongoing informational and operational requirements set forth below.

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<sup>1</sup> Including Addendum O to these Rules, as set forth in Section 1.B of Rule 2A.



*[Changes to this Rule 16, as amended by File No. SR-NSCC-2018-004, are available at dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf. These changes have been approved by the SEC but have not yet been implemented. By no later than November 30, 2018, these changes will be implemented and this legend will automatically be removed from this Rule*

16.]

**RULE 16. (RULE NUMBER RESERVED FOR FUTURE USE) SETTLEMENT OF COMMISSIONS**

~~All payments of commissions due on business when a principal is given up between Members and Commission Billing Members shall be settled monthly as follows:~~

- ~~(1) Each Payee shall make up bills in the customary form for all commissions due on business when a principal is given up.~~
- ~~(2) Each Payee shall deliver the customary commission bill to each Payer on or before the 5th day of each month if a business day; otherwise the next succeeding business day.~~
- ~~(3) Each Payer shall promptly verify such bill.~~
- ~~(4) The Corporation shall, upon completion of the clearance of such commissions, debit and credit the respective Payers and Payees with resulting amounts plus or minus the charges for services rendered for which provision is made by the Corporation from time to time.~~

~~If, as a result of such clearance of commissions, a Commission Billing Member shall be indebted to the Corporation, the Corporation shall collect the amount due to the Corporation from the Commission Billing Member by ACH preauthorized payment on or before the commission bill settlement date of each month determined by the Corporation. If such Commission Billing Member shall be entitled to a credit, the Corporation shall pay the same by ACH wire transfer as soon as practicable, provided however, if a Commission Billing Member indebted to the Corporation does not pay part or all of the amount due to the Corporation, the Corporation shall be entitled to set-off such amount against any commission bill credit to which such Commission Billing Member is entitled. A Member or Commission Billing Member that fails to timely pay part or all of the amount due to the Corporation may be subject to action by the Corporation pursuant to Rule~~

~~46 or 48, which includes, but is not limited to, fines, censure or any other sanction as the Corporation deems appropriate pursuant to these Rules.<sup>4</sup>~~

~~If, as a result of such clearance of commissions, a Member shall be indebted to the Corporation, or entitled to a credit, such debits and credits shall be included in the settlement of the accounts of such Member for such day as the Corporation may determine.~~

~~The Corporation shall have power to determine the amounts to be received by it in the settlement of commissions and the persons entitled thereto and any determination so made shall be final and conclusive upon all parties to the settlement.~~

\* \* \*

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<sup>4</sup>~~The Corporation may from time to time as it deems appropriate or necessary, pay funds to/receive funds from, a Commission Billing Member under this Rule, via check.~~

**[Changes to this Rule 18, as amended by File No. SR-NSCC-2018-004, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf](http://dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf). These changes have been approved by the SEC but have not yet been implemented. By no later than November 30, 2018, these changes will be implemented and this legend will automatically be removed from this Rule 18.]**

RULE 18. PROCEDURES FOR WHEN THE CORPORATION  
DECLINES OR CEASES TO ACT

SEC. 1. When the Corporation has declined or ceased to act for a Member, Mutual Fund/Insurance Services Member, Municipal Comparison Only Member, Insurance Carrier/Retirement Services Member, TPA Member, TPP Member, Investment Manager/Agent Member, Fund Member, ~~Commission Billing Member~~, Data Services Only Member or AIP Member (each hereinafter referred to as a “participant” for purposes of this Rule 18) pursuant to Rule 46, it shall provide participants with notice pursuant to the provisions of Section 3 of Rule 45.

\* \* \*

SEC. 8. (a) After the Corporation has declined or ceased to act for a participant either in respect to a particular transaction or transactions generally, the Corporation shall nevertheless have the same rights and remedies in respect to any debit balance due from such participant or any liability incurred on his behalf as though it had not ceased to act for him.

(b) As security for any and all liabilities now existing, or hereafter arising, of a Member, ~~or~~ Mutual Fund/Insurance Services Member ~~or Commission Billing Member~~ to the Corporation, the Corporation shall maintain a lien on all property placed by such participant in its possession, including but not limited to, securities and cash in the process of clearance or on deposit with, or pledged to, the Corporation in satisfaction and/or in excess of such participant’s Clearing Fund deposit pursuant to Rule 4, Section 1, and Rule 12, Section 1; provided, however, that in no event shall the Corporation have any lien on securities carried by a Member, ~~or~~ Mutual Fund/Insurance Services Member ~~or Commission Billing Member~~ for the account of its customers where: (i) such lien would be prohibited under Commission Rules 8c-1 and 15c2-1, or (ii) such securities have been delivered from the Corporation’s account at a Qualified Securities Depository pursuant to the ACATS Settlement Accounting Operation, and received into a Receiving Member’s account at a Qualified Securities Depository.

\* \* \*

**[Changes to this Rule 22, as amended by File No. SR-NSCC-2018-004, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf](http://dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf). These changes have been approved by the SEC but have not yet been implemented. By no later than November 30, 2018, these changes will be implemented and this legend will automatically be removed from this Rule 22.]**

## RULE 22. SUSPENSION OF RULES

The time fixed by these Rules, the Procedures or any regulations issued by the Corporation for the doing of any act or acts may be extended or the doing of any act or acts required by these Rules, the Procedures or any regulations issued by the Corporation may be waived or any provision of these Rules, the Procedures or any regulations issued by the Corporation may be suspended by the Board of Directors or by the Chairman of the Board, the President, the General Counsel or such other officers of the Corporation having a rank of Managing Director or higher whenever, in its or his judgment, such extension, waiver or suspension is necessary or expedient.

A written report of any such extension, waiver or suspension (other than an extension of time of less than eight hours), stating the pertinent facts, the identity of the person or persons who authorized such extension, waiver or suspension and the reason such extension, waiver or suspension was deemed necessary or expedient, shall be promptly made and filed with the Corporation's records and shall be available for inspection by any Member, Mutual Fund/Insurance Services Member, Municipal Comparison Only Member, Insurance Carrier/Retirement Services Member, TPA Member, TPP Member, Investment Manager/Agent Member, Fund Member, **Commission Billing Member**, Data Services Only Member or AIP Member during regular business hours on business days. Any such extension or waiver may continue in effect after the event or events giving rise thereto but shall not continue in effect for more than 60 calendar days after the date thereof unless it shall be approved the Board of Directors within such period of 60 calendar days.

\* \* \*

**[Changes to this Rule 24, as amended by File No. SR-NSCC-2018-004, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf](http://dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf). These changes have been approved by the SEC but have not yet been implemented. By no later than November 30, 2018, these changes will be implemented and this legend will automatically be removed from this Rule 24.]**

## RULE 24. CHARGES FOR SERVICES RENDERED

SEC. 1. Each Member, Mutual Fund/Insurance Services Member, Municipal Comparison Only Member, Insurance Carrier/Retirement Services Member, TPA Member, TPP Member, Investment Manager/Agent Member, Fund Member, **Commission Billing Member**, Data Services Only Member and AIP Member (each hereinafter referred to as a “participant” for purposes of this Rule 24) shall pay such fees and charges to the Corporation as shall be specified by the Corporation or in the Procedures and approved by the Board of Directors on a reasonable and non-discriminatory basis.

\* \* \*

**[Changes to this Rule 26, as amended by File No. SR-NSCC-2018-004, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf](http://dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf). These changes have been approved by the SEC but have not yet been implemented. By no later than November 30, 2018, these changes will be implemented and this legend will automatically be removed from this Rule 26.]**

## RULE 26. BILLS RENDERED

The Corporation will render bills to Members, Mutual Fund/Insurance Services Members, Insurance Carrier/Retirement Services Members, TPA Members, TPP Members, Investment Manager/Agent Members, Fund Members and AIP Members for charges on account of the business of any month and will charge their respective accounts with the amounts thereof on or before such date as determined by the Corporation from time to time.

~~**The Corporation will render bills to Commission Billing Members monthly for charges in connection with the settlement of commissions and such bills shall be paid immediately.**~~

The Corporation will render bills to Data Services Only Members monthly for charges, if any, in connection with the use of the Corporation's services, and such bills shall be paid immediately.

The Corporation will render bills to Municipal Comparison Only Members monthly for charges in connection with the comparison of municipal securities transactions and such bills shall be paid immediately.

\* \* \*

**[Changes to this Rule 34, as amended by File No. SR-NSCC-2018-004, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf](http://dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf). These changes have been approved by the SEC but have not yet been implemented. By no later than November 30, 2018, these changes will be implemented and this legend will automatically be removed from this Rule 34.]**

#### RULE 34. INSURANCE

The Corporation shall use its best efforts to maintain, or arrange for the maintenance of, such insurance, including fidelity bonds, in such amounts and having such coverage regarding the business of the Corporation as the Board of Directors shall deem appropriate. The insurance policies or contracts pursuant to which such insurance is provided shall be open to the inspection of the Members, Mutual Fund/Insurance Services Members, Municipal Comparison Only Members, Insurance Carrier/Retirement Services Members, TPA Members, TPP Members, Investment Manager/Agent Members, Fund Members, ~~Commission Billing Members~~, Data Services Only Members and AIP Members (each hereinafter referred to as a “participant” for purposes of this Rule 34) at the offices of the Corporation during regular business hours on business days. If the Corporation shall materially reduce the amount or coverage of any such insurance or the persons providing such insurance shall notify the Corporation of a material reduction in the amount of coverage thereof, the Corporation shall promptly notify each participant and the Securities and Exchange Commission thereof stating the effective date of such reduction.

\* \* \*

**[Changes to this Rule 37, as amended by File No. SR-NSCC-2018-004, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf](http://dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf). These changes have been approved by the SEC but have not yet been implemented. By no later than November 30, 2018, these changes will be implemented and this legend will automatically be removed from this Rule 37.]**

## RULE 37. HEARING PROCEDURES

SEC. 1. A Member, a Mutual Fund/Insurance Services Member, Settling Bank Only Member, Municipal Comparison Only Member, Insurance Carrier/Retirement Services Member, TPA Member, TPP Member, Investment Manager/Agent Member, Fund Member, ~~a Commission Billing Member~~, a Data Services Only Member, AIP Member or AIP Settling Bank Only Member or applicant (each hereinafter in this Rule referred to as the "Interested Person") may, when permitted by these Rules, request a hearing by filing with the Secretary of the Corporation within five business days from the date on which the Corporation informed it of an action or proposed action of the Corporation with respect to the Interested Person, or 2 business days in the case of summary action taken against the Interested Person pursuant to Rule 46 (or such other applicable time period specified by these Rules), a written request for a hearing setting forth (i) the action or proposed action of the Corporation with respect to which the hearing is requested and (ii) the name of the representative of the Interested Person who may be contacted with respect to the hearing. Within 7 business days after the Interested Person files such written request with the Corporation, or 3 business days in the case of summary action taken against the Interested Person pursuant to Rule 46, the Interested Person shall submit to the Corporation a clear and concise written statement setting forth with particularity the action or proposed action of the Corporation with respect to which the hearing is requested, the basis for objection to such action, whether the Interested Person intends to attend the hearing and whether the Interested Person chooses to be represented by counsel at the hearing. If the written statement contests the Corporation's determination that the Interested Person has violated a Rule or procedure, the statement must specifically admit or deny each violation alleged and detail the reasons why the Rules or procedures alleged to have been violated are being contested. Any alleged violation not specifically denied shall constitute an admission to that violation. The Corporation may deny the statement if it fails to set forth a prima facie basis for contesting the violation. The failure of the Interested Person to file the written request referred to above within the time period required by these Rules and/or the failure of the Interested Person to submit the written statement within the time period specified above will be deemed to be an election to waive the right to a hearing. The Corporation shall notify the Interested Person in writing of the date, place and hour of the hearing at least 5 business days prior to the hearing (unless the parties agree to waive the 5 business day requirement).



SEC 5. The Panel shall advise the Interested Person of its decision within 10 business days after the conclusion of the hearing. If the decision of the Panel shall have been to deny the Interested Person's application to become a Member, a Mutual Fund/Insurance Services Member, a Settling Bank Only Member, a Municipal Comparison Only Member, an Insurance Carrier/Retirement Services Member, a TPA Member, a TPP Member, an Investment Manager/Agent Member, a Fund Member, ~~a Commission Billing Member~~, a Data Services Only Member or an AIP Member or to prohibit or limit the Interested Person's access to the services offered by the Corporation in accordance with Rule 46, a notice of decision setting forth the specific grounds upon which the decision is based shall be furnished to the Interested Person. If the decision of the Panel shall have been to impose a disciplinary sanction on the Interested Person in accordance with Rule 48 or to affirm any summary action previously taken against the Interested Person pursuant to Section 3 of Rule 46, a notice of decision setting forth (i) any act or practice in which the Interested Person has been found to have engaged, or which the Interested Person has been found to have omitted, (ii) the specific provision(s) of the Rules or Procedures of the Corporation or of the applicable agreements with the Corporation which any such act or practice or omission to act has been deemed to violate, and (iii) the sanction imposed and the reasons therefor shall be furnished to the Interested Person. A copy of the Panel's notice of decision shall also be furnished to the Chairman of the Board.

Decisions of the Panel are final, but the Board of Directors may in its discretion modify any sanction or reverse any decision of the Panel that is adverse to the Interested Person.

\* \* \*

**[Changes to this Rule 46, as amended by File No. SR-NSCC-2018-004, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf](http://dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf). These changes have been approved by the SEC but have not yet been implemented. By no later than November 30, 2018, these changes will be implemented and this legend will automatically be removed from this Rule 46.]**

RULE 46. RESTRICTIONS ON ACCESS TO SERVICES

SEC. 1. The Board of Directors may suspend a Member, Mutual Fund/Insurance Services Member, Municipal Comparison Only Member, Insurance Carrier/Retirement Services Member, TPA Member, TPP Member, Investment Manager/Agent Member, Fund Member ~~Commission Billing Member~~, Data Services Only Member or AIP Member (each hereinafter referred to as a “participant” for purposes of this Rule 46) or prohibit or limit such participant’s access to services offered by the Corporation in the event that (a) the participant has been and is expelled or suspended from any regulatory or self-regulatory organization, or (b) the participant is in default of any delivery of funds or securities to the Corporation, (c) the participant is in such financial or operating difficulty, that the Corporation determined, in its discretion, that such action is necessary for the protection of the Corporation, the participants, creditors, or investors; with respect to a bank or trust company Member, or Mutual Fund/Insurance Services Member ~~or Commission Billing Member~~ (and, in the case of a bank Member electing entry under Section 1.B.2.(a)(ii) of Addendum B, its parent bank holding company) such difficulty shall include but not be limited to impaired capital or the appointment by the primary Federal or State bank supervisor of a receiver to take control of the bank, (d) the Corporation has reasonable grounds to believe that such participant is subject to a Statutory Disqualification, (e) the Corporation determines that such participant does not meet the applicable qualifications for membership or limited access set forth in Rule 2A, Rule 2B and Addendum B, (f) such participant has failed to comply with any financial or operational requirement of the Corporation, or (g) in any circumstances in which, in the discretion of the Corporation, adequate cause exists to do so.

\* \* \*

**[Changes to this Rule 58, as amended by File No. SR-NSCC-2018-004, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf](http://dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf). These changes have been approved by the SEC but have not yet been implemented. By no later than November 30, 2018, these changes will be implemented and this legend will automatically be removed from this Rule 58.]**

RULE 58. LIMITATIONS ON LIABILITY

\* \* \*

SEC. 2. Notwithstanding any other provision in the Rules:

(a) The Corporation will not be liable for any action taken, or any delay or failure to take any action, hereunder or otherwise to fulfill the Corporation's obligations to its Members, Mutual Fund/Insurance Services Members, Settling Bank Only Members, Municipal Comparison Only Members, Insurance Carrier/Retirement Services Members, Investment Manager/Agent Members, TPP Members, TPA Members, Mutual Fund/Insurance Services Members, ~~Commission Billing Members~~, Fund Members, Data Services Only Members, AIP Members and AIP Settling Bank Only Members (each hereinafter referred to as a "participant" for purposes of this Rule 58), other than for losses caused directly by the Corporation's gross negligence, willful misconduct, or violation of Federal securities laws for which there is a private right of action. Under no circumstances will the Corporation be liable for the acts, delays, omissions, bankruptcy, or insolvency, of any third party, including, without limitation, any depository, custodian, sub-custodian, clearing or settlement system, transfer agent, registrar, data communication service, AIP Non-Member Fund or delivery service ("Third Party"), unless the Corporation was grossly negligent, engaged in willful misconduct, or in violation of Federal securities laws for which there is a private right of action in selecting such Third Party.

\* \* \*

**[Changes to this Rule 64, as amended by File No. SR-NSCC-2018-004, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf](http://dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf). These changes have been approved by the SEC but have not yet been implemented. By no later than November 30, 2018, these changes will be implemented and this legend will automatically be removed from this Rule 64.]**

RULE 64. DTCC SHAREHOLDERS AGREEMENT

\* \* \*

SEC. 4. This Rule 64 shall have no application to a Data Services Only Member, ~~Commission Billing Member~~, Settling Bank Only Member, Investment Manager/Agent Member, TPP Member, TPA Member, AIP Member or AIP Settling Bank Only Member.<sup>1</sup>

\* \* \*

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<sup>1</sup> Note that, if a Fund Member, Insurance Carrier/Retirement Services Member, Municipal Comparison Only Member or Mutual Fund/Insurance Services Member is also a member or participant of another clearing agency subsidiary of DTCC, such Fund Member, Insurance Carrier/Retirement Services Member, Municipal Comparison Only Member or Mutual Fund/Insurance Services Member may be a Mandatory Purchaser Participant pursuant to the terms of the Shareholders Agreement and the rules and procedures of such other subsidiary. If a Data Services Only Member, ~~Commission Billing Member~~, Settling Bank Only Member, Investment Manager/Agent Member, TPP Member, TPA Member, AIP Member or AIP Settling Bank Member is also a member or participant of another clearing agency subsidiary of DTCC, such Data Services Only Member, ~~Commission Billing Member~~, Settling Bank Only Member, Investment Manager/Agent Member, TPP Member, TPA Member, AIP Member or AIP Settling Bank Only Member may be a Mandatory Purchaser Participant or a Voluntary Purchaser Participant pursuant to the terms of the Shareholders Agreement and the rules and procedures of such other subsidiary.

**[Changes to this Addendum A, as amended by File No. SR-NSCC-2018-004, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf](http://dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf). These changes have been approved by the SEC but have not yet been implemented. By no later than November 30, 2018, these changes will be implemented and this legend will automatically be removed from this Addendum A.]**

ADDENDUM A

NATIONAL SECURITIES CLEARING CORPORATION

FEE STRUCTURE

\* \* \*

V. PASS-THROUGH AND OTHER FEES

\* \* \*

B. Special Service Fees

~~1.~~ **Commission Billing:**

- a. **Debit** **\$~~.50~~ per item**
- b. **Credit** **\$~~.50~~ per item**

~~12.~~ DTC Sponsored Accounts – available to each CNS participant who is not also a participant of DTC: Cost

~~23.~~ Output Fees

- a. Machine Readable Output \$10.00 per tape
- b. Service Bureau Tapes \$2.50 per tape
- c. Magnetic Tape not returned \$20.00 per tape

d.	Printed Output Reports:	
	For Members with less than 20,000 lines per month	No charge
	For Members with 20,000 or more lines per month	\$4.00 per each 1000 lines
<b><u>34.</u></b>	Microfiche Reports	\$3.00 per fiche
<b><u>45.</u></b>	Special Research	\$25.00 per hour
<b><u>56.</u></b>	Domestic Portfolio Composition File	\$125.00 per month per file
<b><u>67.</u></b>	Foreign Portfolio Composition File	\$125.00 per month per file
<b><u>78.</u></b>	Subscription-based Portfolio Composition File Reporting	\$3.00 per unit per month for the first zero to 200 average daily units <sup>19</sup>
		\$2.00 per unit per month for the next 300 average daily units (201st to 500th units)
		\$1.00 per unit per month for all average daily units above 500 (501 <sup>st</sup> and above)
		\$600 minimum; <sup>20</sup> \$1,550 maximum per month

\* \* \*

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<sup>19</sup> “Units” refers to the number of portfolio subscriptions for each billing month. Unit charges are calculated by applying the tiered fee structure to the average daily number of units subscribed for by the Member in the billing month.

<sup>20</sup> From June 2, 2014 until December 31, 2015, the minimum will be \$300 per month and, thereafter the minimum will increase to \$600 per month and this footnote will be deleted.

**[Changes to this Addendum B, as amended by File No. SR-NSCC-2018-004, are available at dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf. These changes have been approved by the SEC but have not yet been implemented. By no later than November 30, 2018, these changes will be implemented and this legend will automatically be removed from this Addendum B.]**

ADDENDUM B

QUALIFICATIONS AND STANDARDS OF FINANCIAL RESPONSIBILITY,  
OPERATIONAL CAPABILITY AND BUSINESS HISTORY

MEMBERS (Section 1);

MUTUAL FUND/INSURANCE SERVICES MEMBERS (Section 2);

FUND MEMBERS (Section 3);

INSURANCE CARRIER/RETIREMENT SERVICES MEMBERS (Section 4);

MUNICIPAL COMPARISON ONLY MEMBERS (Section 5);

DATA SERVICES ONLY MEMBERS (Section 6);

**COMMISSION BILLING MEMBERS (Section 7);**

SETTLING BANK ONLY MEMBERS (Section ~~7~~**8**);

THIRD PARTY ADMINISTRATOR MEMBERS (Section ~~8~~**9**);

INVESTMENT MANAGER/AGENT MEMBERS (Section ~~9~~**10**);

AIP MEMBERS (Section ~~10~~**4**); and

AIP SETTLING BANK ONLY MEMBERS (Section ~~11~~**2**)

THIRD PARTY PROVIDER MEMBERS (Section ~~12~~**3**)

\* \* \*

**~~SEC. 7. COMMISSION BILLING MEMBERS~~**

**~~A. Qualification~~**

**~~To qualify for membership, a Commission Billing Member shall be:~~**

- ~~(i) it is Registered Broker-Dealer; or~~**

~~(ii) — if it does not qualify under paragraph (i) above, it is an entity that has demonstrated to the Board of Directors that its business and capabilities are such that it could reasonably expect material benefit from direct access to the Corporation's services.~~

~~B. Financial Responsibility~~

~~The Corporation shall approve an application to become a Commission Billing Member only upon a determination by the Corporation that the applicant meets the standards of financial responsibility as the Corporation may promulgate.~~

SEC. ~~78~~. SETTLING BANK ONLY MEMBERS

\* \* \*

SEC. ~~89~~. THIRD PARTY ADMINISTRATOR MEMBERS

\* \* \*

SEC. ~~910~~. INVESTMENT MANAGER/AGENT MEMBERS

\* \* \*

SEC. ~~104~~. AIP MEMBERS

\* \* \*

SEC. ~~112~~. AIP SETTLING BANK ONLY MEMBERS

\* \* \*

SEC. ~~123~~. THIRD PARTY PROVIDER MEMBERS

\* \* \*



**[Changes to this Addendum D, as amended by File No. SR-NSCC-2018-004, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf](http://dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf). These changes have been approved by the SEC but have not yet been implemented. By no later than November 30, 2018, these changes will be implemented and this legend will automatically be removed from this Addendum D.]**

## ADDENDUM D

### STATEMENT OF POLICY

#### ENVELOPE SETTLEMENT SERVICE, MUTUAL FUND SERVICES, INSURANCE AND RETIREMENT PROCESSING SERVICES AND OTHER SERVICES OFFERED BY THE CORPORATION

As authorized by Rule 9, the Corporation provides at its facilities (at locations as it determines from time to time) an Envelope Settlement Service (“ESS”) for the delivery and receipt between Members of envelopes containing securities, money- only settlement items and dividend and interest settlement items. As provided in Rule 9, ESS is not a guaranteed service of the Corporation and the Corporation does not and will not stand behind any credit of any payment amount appearing on any credit list attached to any envelope delivered by a Member under Rule 9.

Paragraph 2 of Section 1 of Rule 9 further provides that:

An envelope delivered to the Corporation shall contain only such securities as permitted by the Corporation from time to time; tickets relating to such securities contained in the envelope; or such other items as the Corporation may from time to time permit, including but not limited to, documentation by a delivering Member necessary for the receiving Member to identify the reason for a money-only charge, and notices of intent and claim forms associated with claims for dividends and interest. Envelopes which contain items other than as permitted by the Corporation are subject to return by the Corporation to the delivering Member and the related payment amount debits and credits may be reversed in accordance with Section 4 of Rule 9.

Paragraph 3 of Section 1 provides that the credit list attached to an envelope shall show “the total money value, if any, of the items contained in that envelope”. Since Paragraph 2 of Section 1 of Rule 9 authorizes the Corporation to permit Members to include “other items” (i.e., items relating to money-only settlement and settlement of dividends and interest) in envelopes, credit lists may also include charges other than for securities contained in the envelope. Pursuant to Paragraph 7 of Section 1, the Corporation credits the delivering Member’s account with the payment amount shown on the credit list and debits the receiving Member’s account. Under Paragraph 10 of Section 1, payment amounts so debited and credited are included in the settlement for

that day pursuant to Rule 12, subject to the rights of the Corporation under Section 2 of Rule 12 and Section 4 of Rule 9.

The Corporation will not stand behind any charges appearing on a credit list attached to envelopes delivered by a Member pursuant to Rule 9 ~~nor will the Corporation stand behind any charges appearing on a credit list attached to envelopes delivered through the Commission Bill Service~~. In the event of the default of a Member, the Corporation, within such time frame as determined by the Corporation from time to time, may reverse all ESS ~~and/or Commission Bill Service~~ debits and credits of that Member due for settlement.

\* \* \*

**[Changes to this Addendum P, as amended by File No. SR-NSCC-2018-004, are available at dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-004.pdf. These changes have been approved by the SEC but have not yet been implemented. By no later than November 30, 2018, these changes will be implemented and this legend will automatically be removed from this Addendum P.]**

ADDENDUM P

FINE SCHEDULE

\* \* \*

**6) Settlement of Commissions (pursuant to Rule 16)<sup>2</sup>**

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/Commission Billing Member.~~

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

**67) Business Continuity Testing for Top Tier Firms - Fines for Failure to Test**

Fine for failure to complete testing by November 30<sup>st</sup>: \$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.